



**Scholarships for Disadvantaged Students  
(SDS) Guidelines**

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U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Health Resources and Services Administration  
Bureau of Health Workforce  
Division of Health Careers and Financial Support  
Health Careers Loans and Scholarships Branch

**TABLE OF CONTENTS**

INTRODUCTION.....1  
SECTION 1 FINANCIAL NEED..... 3  
SECTION 2 GENERAL REQUIREMENTS FOR CALCULATING FINANCIAL  
NEED..... 3  
SECTION 3 COST OF ATTENDANCE..... 4  
SECTION 4 STUDENT INELIGIBILITY..... 4  
SECTION 5 FUNDING RESTRICTIONS..... 4

*INTRODUCTION*

The Scholarships for Disadvantaged (SDS) program is authorized by the Public Health Service (PHS) Act section 737 (42 U.S.C. 293a). The SDS program was established by the Disadvantaged Minority Health Improvement Act of 1990 (Public Law (P.L.) 101-527). the purpose of the program is to provide financial assistance to health professions and nursing students from disadvantaged backgrounds.

These Guidelines provide important information for grant recipients implementing the SDS program, including requirements for student participation, calculating financial need, and funding restrictions. This document is intended to be read in conjunction with applicable Funding Opportunity Announcements (FOAs), and does not supersede any requirements contained in Notices of Award or any applicable laws, regulations or federal register notices.

*FINANCIAL NEED*

PHS Act section 737(d)(2) requires eligible individuals under the SDS program to be from a disadvantaged background, have a financial need for a scholarship and be enrolled (or accepted for enrollment) at an eligible health professions or nursing school as a full time student in a program leading to a degree in a health profession or nursing. Section 737(b) of the PHS Act states that schools must give preference to students for whom the cost of attending the school would constitute a severe hardship.

As stated, a student must have a financial need for the SDS scholarship. To ensure consistency in assessing financial need, HRSA has adopted the need analysis procedure approved by the Department of Education (see 20 U.S.C. 1087kk–1087vv). Schools must refer to the following link and follow the steps detailed on the site to calculate financial need:

<https://studentaid.ed.gov/sa/fafsa/next-steps/how-calculated>. In addition, any student who is enrolled (or accepted for enrollment) in a health professions school or nursing school must provide information on his or her parents’ financial situation or his or her own financial situation, depending upon his or her tax status.

The amount of an SDS scholarship may not exceed a recipient’s cost of tuition expenses, other reasonable educational expenses and reasonable living expenses incurred in attendance at the health professions or nursing school. The scholarship may be expended by the student only for these expenses. In determining financial need for potential SDS recipients, the school must take into consideration the:

- financial resources available to the student; and
- costs reasonably necessary for the student’s attendance at the school.

*GENERAL REQUIREMENTS FOR CALCULATING FINANCIAL NEED*

The following general requirements apply when calculating financial need:

**Commented [OGC1]:** Legal: this site seems very broad. Is there a specific form that could be incorporated within the document, or more concrete instructions included in these guidelines.

**Commented [DS2]:** This is the approved Department of Education site for filling out a FAFSA. Grantees have been using this approved site for the past four years. We have not had any issues to date with grantees not understanding the site.

**Commented [OGC3]:** Legal: if these are the requirements for determining financial need, it is unclear how the piece from the Department of Education fits in. Recommend this be clarified.

**Commented [DS4]:** These are additional SDS specific requirements to take into account along with the Department of Education site.

- SDS recipients must use the expected family contribution calculated from the need analysis formula as detailed by the Higher Education Act of 1965, as amended (See 34 CFR 682.200).
- Parental income must be used to determine a student's eligibility for financial need in all cases except in those cases where the student is considered independent by being at least 24 years old and not listed as a dependent on his or her parents' income tax for 3 or more years. In those cases, the student's income will be used instead of parental income.
- Recipients must be able to produce documentation of a student's age and independent status, if applicable. Schools have discretion in determining which documentation to use to demonstrate this status, such as the students or parents' last three years of income taxes. For proof of age, examples of sufficient documentation include a photocopy of a driver's license, birth certificate, or passport. The school will be held accountable in determining whether a student should be deemed independent.
- If a student is at least 24 years old and is unable to provide proof that he or she can be deemed independent, then he or she will be considered dependent and schools must use the parental income for financial need.
- Recipients must consider a student's estimated other financial resources, including financial aid.
  - The information collected by the schools to make an assessment of a student's need for SDS funds must be extensive enough to include a student's (and his or her spouse and parents) current income, assets and other resources such as trust funds or support from other family members.

**Commented [OGC5]:** Optional: are there multiple formulas or only one?

**Commented [DS6]:** There is only one formula. Corrected.

**Commented [OGC7]:** Legal: this is unclear. Recommend a specific citation be included as the basis for this requirement.

**Commented [DS8]:** Added.

**Commented [OGC9]:** Legal: is this a defined term? Should it be "student's income" not "student's family" income?

**Commented [DS10]:** corrected

### *COST OF ATTENDANCE*

Developing a student's budget requires careful identification of reasonable costs necessary for the student's attendance at the school, including any special needs or obligations of each student or costs common to particular groups of students. The school must develop student budgets which treat students within groups consistently, but are sensitive to individual circumstances. Schools must be able to document the various student budgets used in determining financial need.

**Commented [OGC11]:** Legal: this may be unclear do you mean "student budgets" to determine the costs of attendance?

**Commented [DS12]:** Yes, we mean developing the student's budget. Corrected.

### *STUDENT ELIGIBILITY*

As required by section 737(d), eligible individuals for SDS program participation must be enrolled full-time in a program leading to a degree in a health profession or nursing. If an SDS recipient drops below full-time student status due to academic failure, disability, or death they are considered ineligible to receive funds. The funds that have already been used for the semester for which the student became ineligible do not need to be recovered if the date the school has set for refunds has passed. However, the funds that were set aside for that student for the rest of the academic year must either be awarded to another eligible student at that institution, or if the school cannot award the funds to another eligible student, the school must return the funds to HHS.

*FUNDING RESTRICTIONS*

In general, activities funded under the SDS program must be considered allowable under the grant, as required by 45 CFR 75.403 (<http://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75>), specifically they must be allocable and reasonable and must conform to the FOA under which the grant was made.<sup>1</sup> To that end, recipients are responsible for selecting scholarship recipients, making reasonable determinations of need, and providing scholarships that do not exceed the allowable costs (including tuition, reasonable educational expenses and reasonable living expenses)<sup>2</sup>. As stated in the most recent SDS FOA, student scholarship awards are required to equal an amount no less than 50 percent of the student's annual tuition up to a maximum amount of \$30,000 per student award per academic year. Participating schools are encouraged to make awards to students for the full academic year, however if a school chooses to make awards to students for less than the full academic year, the award amount must equal no less than half the cost of their annual tuition. No student can be awarded SDS funds greater than \$30,000 per academic year.

**Commented [UG13]:** Please include a cite to the most recent SDS FOA.

**Commented [DS14]:** The FOA is not currently posted since the application date has passed. We will request for a copy to be posted to the SDS website with these guidelines.

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<sup>1</sup> General information on allowable award costs can also be found in the HHS Grants Policy Statement, available at <http://www.hrsa.gov/grants/hhsgrantspolicy.pdf>.

<sup>2</sup> According to 45 CFR 75.404, reasonable costs may not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost (see <http://www.ecfr.gov/cgi-bin/text-idx?node=pt45.1.75> for more information.)