

# **PAYING STUDENTS AND OTHER TRAINEES USING GRANTS**

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# OUTLINE

- **Definitions of wages, stipends, and tuition (WST)**
- **Allowability of WST**
- **Examples of grants that provide WST**
- **Fringe benefit and indirect costs for WST**
- **Restrictions on WST payments**
- **Suggested WST rates**
- **Taxability and tax reportability of WST**
- **Morgan processes for paying WST**

# **CATEGORIES AND DEFINITION**





# **WHY DO YOU PAY A STUDENT?**

- **In this presentation, the student means any form of trainee.**
- **Trainees may include:**
  - **Undergraduate students;**
  - **Graduate students;**
  - **Postdoctoral fellows;**
  - **Faculty members engaging in some summer training for grant management.**

**WHY DO YOU PAY A STUDENT?**

**??????**

# **WHY DO YOU PAY A STUDENT?**

## **■ Work**

- The sponsored project acquires something that is relevant to its progress.
- For example, the student may do some of the experiments, record the results, analyze the data, and write up parts of the experiment to be included in the paper.
- In this regard, the person doing the work can be a student, or anyone body else, such as a technician.

## **■ Assistance**

- Many students do not have the means to complete their training. They are under duress.
- The sponsored project provides some funds to the student complete his/her training by providing subsistence level money and part (or all) of tuition.

# CATEGORIES

## ■ What is the difference?

- Wages (Work)
- Stipends (Assistance)
- Tuition (Assistance)



# CATEGORIES

- **Wages** are hourly payments to employees for each hour they work. Although the rate usually remains constant, the total sum paid may fluctuate from pay period to pay period.
- **Stipends** are different from salaries and wages. Stipends are typically predetermined (fixed) amounts paid to trainees to defray the cost of living. Unlike salaries and wages, which are given to employees to accomplish the work, stipends are mostly for the benefit of the trainees. Think of benefit to the trainee, not to the project.
- **Tuition assistance** may be considered for students and other trainees.

# WORK IMPLICATIONS

- **Wages:** The student is expected to work. If the student works for up to 10 hours this week, he/she will be paid for 10 hours. If the student works for only 5 hours, then he/she will be compensated for 5 hours. Therefore, the hours may vary.
- **Stipends and Tuition:** There is no work expectation. The amount to be paid is fixed. However, there may be some requirements. For example, the student may be asked to participate in the lab training activities at least 5 hours per week, give a presentation every month, and abide by some code of conduct. This is part of his/her training. Failure to do so may result in expulsion from the program, and hence cutting the stipend and tuition assistance.

# **ALLOWABILITY OF WST**

# ALLOWABILITY

- **Wages:** Allowability (or conversely, restrictions) of payment of wages is often similar to any other work. Typically, both domestic and international students are allowed to work on campus, up to 20 hours per week during the academic year, and more during the times that the School is not in session.
- Other work-related restrictions need to be considered. For example:
  - Is the work sensitive? Such as those sponsored projects paid by the NSA? If so, is there a restriction of involving an international student?
  - Is this person debarred from working for the federal government, due to any previous offenses?

# ALLOWABILITY

- **Stipends and tuition assistance:** Allowability (or conversely, restrictions) of payment of stipends and tuition assistance depends on the purpose of the grant. Terms and conditions need to be carefully reviewed.
- Many assistance programs are considered for only a certain group of individuals. For example:
  - Most NIH and NSF training programs limit the payment of stipends and tuition to U.S. citizens and permanent residents (green card holders). If so, citizenship or residence documents must be required and kept in files for audit purposes.
  - Conversely (and rarely), there may be certain grants that are intended for individuals < 40 years old and of international origin.

# IMPORTANT NOTE

- Federal grants allow for paying EITHER “stipends and tuition support” OR “wages” to a single student.
- Paying both stipends/tuition and wages on federal grants is often not allowable.
- It is best if MSU followed the same rules for all grants, regardless of source. This means that the student should be paid EITHER “stipends and tuition support” OR “wages”.
- Why?

# **EXAMPLES OF NIH GRANTS PROVIDING WST**

# **EXAMPLES OF NIH TRAINING GRANTS**

- **Maximizing Access to Research Careers (MARC, T34)**
- **Undergraduate Research Training Initiative for Student Enhancement (U-RISE, T34)**
- **Ruth L. Kirschstein National Research Service Award (NRSA) Institutional Research Training Grant (Parent T32)**

# MARC: ANNOUNCEMENT

## Department of Health and Human Services

### Part 1. Overview Information

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**Participating Organization(s)**

National Institutes of Health ([NIH](#))

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**Components of Participating Organizations**

National Institute of General Medical Sciences ([NIGMS](#))

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**Funding Opportunity Title**

Maximizing Access to Research Careers (T34)

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**Activity Code**

[T34](#) MARC Undergraduate NRSA Institutional Grants

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**Announcement Type**

Reissue of [PAR-19-219](#) - Maximizing Access to Research Careers (T34)

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**Related Notices**

- **March 4, 2022** - Notice of Informational Webinar on the NIGMS U-RISE and MARC Programs. See Notice [NOT-GM-22-031](#).
- **October 28, 2021** - Reminder: FORMS-G Grant Application Forms & Instructions Must be Used for Due Dates On or After January 25, 2022 - New Grant Application Instructions Now

# **MARC: THE GOAL IS TRAINING**

- **“...The goal of the Maximizing Access to Research Careers (MARC) program is to develop a diverse pool of undergraduates who complete their baccalaureate degree, and transition into and complete biomedical, research-focused higher degree programs (e.g., Ph.D. or M.D./Ph.D.). This funding opportunity announcement (FOA) provides support to eligible, domestic institutions to develop and implement effective, evidence-informed approaches to biomedical training and mentoring that will keep pace with the rapid evolution of the research enterprise.”**

# MARC: LIMITED TO U.S. CITIZENS AND PERMANENT RESIDENTS

## Trainees

The individual to be trained must be a citizen or a noncitizen national of the United States or have been lawfully admitted for permanent residence at the time of appointment. Additional details on citizenship, training period, and aggregate duration of support are available in the [NIH Grants Policy Statement](#).

Trainees should be research-oriented individuals enrolled in a major leading to a baccalaureate degree in a STEM discipline that will prepare the trainee for a biomedical, research-focused higher degree program (e.g., Ph.D. or M.D./Ph.D.). All trainees are required to pursue their research training full time as specified by the sponsoring institution in accordance with its own policies. Appointments are normally made in 12-month increments for 2-3 years, and no trainee may be appointed for less than 9 months during the initial period of appointment, except with prior approval of the NIH awarding unit.

## Section IV. Application and Submission Information

### 1. Requesting an Application Package

# MARC: ITEMS THAT ARE PAID FOR

- “NIGMS diversity enhancing institutional training grants offset **the cost of appointed trainee stipends, tuition and fees, and training related expenses, including health insurance, in accordance with the approved NIH support levels.**”
- “Additionally, funded programs are expected to provide activities that will build a strong cohort of research-oriented individuals while enhancing the science identity, self-efficacy, and a sense of belonging among the cohort members. Programmatic activities include, but are not limited to, providing authentic research experiences, academic enhancements, skills development, and additional mentoring - activities proven to increase persistence in STEM fields.”

# **FRINGE BENEFITS & INDIRECT COSTS FOR WST**

# **FRINGE BENEFITS & INDIRECT COSTS**

## ■ **Wages:**

- Fringe benefits are charged.
- Indirect costs are charged.

## ■ **Stipends and Tuition:**

- Fringe benefits are NOT charged.
- Indirect costs are NOT charged.

There above-mentioned rules are primarily for federally supported grants, such as grants from the NIH and NSF. Grants from other sources may be somewhat different. For example, a certain foundation may still allow for charging a small rate for indirect costs associated with paying stipends or tuition.

# IMPLICATIONS

- Paying wages is expensive. For example, if the wage is \$20/hour, with a 9% fringe benefit and 51% indirect cost, the total will be approximately \$33/hour.
  - $20 \times 1.09 \times 1.51 = 32.92 \approx 33$
- Sometimes PI need a student to work for them 20 hours per week. They realize that if they put the funds in contractual hiring (wages, line 02), they need to pay a total \$33/hour, while if they put it under stipends, they pay only \$20/hour. Therefore, they prefer stipends. Is that a good idea?

# IMPLICATIONS (CONTINUED)

- ... Is this a good idea?
- NO. NO. NO. THIS IS WRONG, for several reasons:
  - Wages are work, whereas stipends are for assistance. There should be no direct work expectation.
  - Wages are hourly, whereas stipends are fixed.

# **RESTRICTIONS ON WST PAYMENTS**

# **RESTRICTIONS**

- **The grant may not allow for all types of payments to students. For example, the grant may allow for payment of stipends but not tuition. Please review the Funding Opportunity Announcement and the Notice of Award.**
- **Enough funds should be available in the grant to make the payment.**
- **Some grants (usually federal grants) may restrict stipends and tuition benefits to U.S. citizens and green card holders. International students may not be eligible. Please check. If there is a limitation, proper documentation about the citizenship and immigration documents should be obtained.**

# **RESTRICTIONS**

- **Sometimes the grant allows for only partial tuition payment. For example, some NIH grants allow for paying up to 60% of the tuition. Please review the Funding Opportunity Announcement and the Notice of Award.**
- **During the academic year, students can work (hourly wages) only up to 20 hours week from all sources combined. When the school is not in session, that limit does not apply.**
- **Only up to 100% of tuition can be paid from all sources combined. If there is more than 100%, the student will be eligible for a repayment only if some of the tuition was provided by the student.**

# RESTRICTIONS

- **Federal grants often do not allow for paying for both stipends and hourly wages. The purpose of stipends is often to defray the cost of living so that the student can focus on his/her training. Therefore, if the student is paid a stipend from a federal grant, he/she may not be paid hourly wages from that same grant or another federal grant.**

# **SUGGESTED ELIGIBILITY CHECKLIST**

- **The grant allows for payment of the requested type of payment (wage, stipend, or tuition).**
  - a. Yes
  - b. No
  
- **If this is an hourly wage or stipend, the rate is within the reasonable range.**
  - a. Yes
  - b. No
  
- **There are enough funds in the grant to pay for this.**  
**Contractual payment: Line 02; Tuition: line 12 (12040);**  
**Stipends: line 12 (12042 for undergraduate and 12043 for graduate).**
  - a. Yes
  - b. No

# SUGGESTED ELIGIBILITY CHECKLIST

- If this is a tuition or stipend, the student is eligible for payment of tuition using this grant. (For federal grants, please check the grant instructions. If limited to U.S. citizens or green card holders, please check their status and save the documents.)**
  - a. Yes**
  - b. No**
  - c. Not applicable**
- If this is a tuition, no more than the maximum allowable percentage is being charged to the grant.**
  - a. Yes**
  - b. No**
  - c. Not applicable**

# **SUGGESTED ELIGIBILITY CHECKLIST**

- **If this is an hourly wage, the student is not paid more than 20 hours per week using all sources combined during the academic year.**
  - a. Yes
  - b. No
  - c. Not applicable
  - d. Unable to verify
  
- **If this a tuition, no more than 100% of tuition is being paid to the student from all sources combined.**
  - a. Yes
  - b. No
  - c. Not applicable
  - d. Unable to verify
  
- **The student is paid EITHER hourly wages OR stipends (but not both) from federal sources.**
  - a. Yes
  - b. No
  - c. Not applicabled.
  - Unable to verify

# **SUGGESTED WST RATES**

# **SUGGESTED HOURLY WAGE RATES**

- Hourly wages should be reasonable.
- The absolute minimum hourly wage is set by the State of Maryland (\$12.50 per hour in 2022). There is no cap on the higher end at MSU, unless specified by the funding agency FOA or NoA. We strongly recommend a range that is competitive, consistent across the University, and not far from that paid in other universities in the State of Maryland.
- The suggested range of hourly wages is:
  - \$15 to \$20 per hour for undergraduate students
  - \$18 to \$23 per hour for master's students
  - \$20 to \$25 per hour for doctoral students

# **SUGGESTED HOURLY WAGE RATES**

- **The range of monthly stipends may be fixed by the grant. For example, the NIH NRSA stipend rates in 2022 are:**
  - **\$1,160 per month for undergraduate students**
  - **\$2,196 per month for master's students**
  - **\$2,196 per month for doctoral students**
- **If not determined by the grant, the suggested range for a training program of up to 20 hours per week is:**
  - **\$1000 to \$1500 per month for undergraduate students**
  - **\$1500 to \$2000 per month for master's students**
  - **\$2000 to \$2500 per month for doctoral students**

# **SUGGESTED TUITION RATES**

- Tuition rate depends on the University, and is a function of the year, undergraduate vs. graduate, in-state vs. out-of-state.
- Sometimes the grant allows for only partial tuition payment. For example, some NIH grants allow for paying up to 60% of the tuition. Please review the Funding Opportunity Announcement and the Notice of Award.

# **TAXABILITY OF WST**

# **DISCLAIMER**

- **Consult your tax accountant for tax issues. There are many intricate details. The information provided here is only a general guideline.**

# TAX IMPLICATIONS

- **Wages:** Wages paid to students are taxed like any other wages paid to other individuals. These are included in Line 02 of budget, are tax reportable, and may be taxed. A Form W2 is issued.
- **Stipends:** Stipends are not taxed for Social Security or Medicare but they are considered taxable income, unless they are spent on qualified expenses, such as tuition, when applicable. See [this link](#) (to George Washington University) and [this link](#) (to IRS). Stipend payment to a postdoctoral fellow, or to a faculty members for the purpose of attending a seminar or workshop is likely taxable.

# TAX IMPLICATIONS

- **Tuition assistance:** Tuition assistance may or may not be taxable. Undergraduate tuition is often not taxable at the federal level. Graduate tuition in excess of \$5,250 is taxable at the federal level, unless receiving the graduate degree is required for the job. State taxes depend on the state of residence. Please see [this link](#) (to University of Maryland) and [this link](#) (to University of Pennsylvania)

# **MSU PROCESSES FOR WST**

# **TO REVIEW EXACT DIRECTIONS, PLEASE REVIEW**

- **“MSU PI Handbook, 3: Grant-Related Processes”**

**OR**

- **“MSU PI Handbook, 7: Student Payment Guidelines”.**
- **These handbooks is part of an 8-volume PI handbook that is under preparation.**
- **The next few slides are only a summary of the process.**

# WAGES: ABBREVIATED PROCESS

Office (Person)	Role
Initiator (Admin)	Initiates contract documents: For new employees; PF10 + HR06 For previous work experience at Morgan: EPAF + HR06
PI/PD (can be the initiator)	Approves that he/she made this request, and that this is in accordance with terms and conditions of the award.
ORA Budget Officer	Makes sure that this is the correct budget code, has enough funds in it, and the request is consistent with the NoA and federal and state rules.
HR	Reviews and finalizes the contract.

# STIPENDS: ABBREVIATED PROCESS

Office (Person)	Role
Initiator (Admin)	Prepares a stipend memo with a spreadsheet that lists each individual student name, SSN, MSU ID, address, and account codes. Account codes include grant code, index, fund, organization and program. Asks the students to complete a W9 form, preferably at least one month in advance.
PI (can be the initiator)	Approves that he/she made this request and it is in accordance with the terms and conditions of the award.
ORA Budget Officer	Make sure that the correct budget code, has enough funds in it, and the request is consistent with the NoA and federal/state rules.
Accounts Payable	Processes request to the State to pay the stipends. They will also notify the PI when the payment has been processed.

# TUITION: ABBREVIATED PROCESS

Office (Person)	Role
Initiator (Admin)	Prepares a tuition memo with each individual student's name, MSU ID, MD residency, and address. Based on this information, the amount of tuition and allowable fees are calculated. Usually done before the beginning of the term, or as early as possible.
PI/PD (can be the initiator)	Approves that he/she made this request and that it is in accordance with the terms and conditions of the award.
ORA Budget Officer	Confirms that the correct budget code is being used, has enough funds in the account, and that the request is consistent with the NoA and federal/state rules.
Financial Aid	Financial Aid Office establishes a Financial Aid (FA) code and applies the aid to the student account.
Bursar's Office	Checks the students to make sure no more than 100% of the tuition is paid. Posts to the student's account.

# **WAGE: ALLOWABLE? SUFFICIENT FUNDS?**

## ■ **Wages (Contractual hiring)**

- Is hiring contractual people allowed by this award?
  - **PI + ORA**
- Is the hourly rate reasonable and consistent with the similar people in that category (or with the proposal)?
  - **HR + ORA**
- Is the person being paid over 100% on multiple awards?
  - **ORA + HR**
- Are there other restrictions on hiring this person? (e.g., being a student with more than 20 hours/week of work during the academic year?)
  - **ORA + HR**
- Is this person barred from being paid with federal grants?
  - **ORA + HR**
- Is the total amount correct? And is the total amount available in the budget?
  - **PI + ORA**

# STIPENDS: ALLOWABLE? SUFFICIENT FUNDS?

## ■ Stipends

- Does this grant allow for stipends to be paid to students/trainees?
  - **PI + ORA**
- Are these specific students/trainees eligible for stipends under this award? Sometimes only US citizens and green card holders are eligible.
  - **PI or designee**
- Is the amount of stipend consistent with what was proposed in the notice of award or with federal NRSA requirements?
  - **PI + ORA**
- Are there sufficient funds in the account to pay the stipends?
  - **PI + ORA**

# **TUITION: ALLOWABLE? SUFFICIENT FUNDS?**

## ■ **Tuition**

- Does this grant allow for tuition to be paid? If yes, what percentage?
  - **PI + ORA**
- Are these students/trainees eligible for tuition under this award? Sometimes only US citizens and green card holders are eligible.
  - **PI**
- Make sure that the student's tuition paid by this grant and other sources does not exceed 100%.
  - **ORA + Bursar**
- Are there sufficient funds to pay the request?
  - **PI + ORA**

# SUMMARY

	For Work?	Timesheet needed?	Fixed or variable?	Time of payment	Payable to the student?
Wages	Yes	Yes	Variable	Every two weeks	Yes
Stipends	No	No	Fixed	Usually once a month	Yes
Tuition	No	No	Fixed	Usually at the beginning of the semester	No*

**\* Reimbursing the student is allowable only if the student paid part of the tuition but not if the total tuition from various resources exceed 100%.**

# OFFICES INVOLVED

- **Division of Research and Economic Development**
  - Office of Research Administration (ORA)
- **Division of Finance**
  - Bursar's Office
  - Office of Restricted Funds Accounting
- **Division of Academic Affairs**
  - Chair
  - Dean
  - Provost
  - Financial Aid

# **ITEMS THAT WILL BE SHARED WITH YOU**

- **These slides**
- **MSU PI Handbook: Student Payment Guidelines**



**QUESTIONS?**