



CHANGES TO STUDENT AWARD PAYMENTS

Focus on Training Grants

May 6, 2021

Beverly Wyrick, The Graduate School

Amanda Chang, Office of Sponsored Research



Background and Goals



BACKGROUND

- Project team formed in 2019 to begin review of all student payments
- Found inconsistencies in processing and unclear policy
- Identified need for guidance on how to manage student payments

GOALS

- Define and document information about student payments
- Ensure University is compliant with federal & state financial aid policies
- Correct known errors in processing
- Communicate changes to campus and students

Why are student payment changes needed?



All monies paid to support students are considered **financial aid** except:

- compensation for work performed
- reimbursement of travel expenses performed on behalf of the University

All monies paid to students must be coordinated with other aid to prevent over awarding federal aid:

- Total resources from University and external sources must not exceed the maximum Cost of Attendance when the student is receiving any state or federal support

University is out of compliance if federal aid is **over awarded**:

- **RISK** - lose the ability to administer federal financial aid

Why are student payments for training grants considered financial aid?



- Payments on training grants are defined as financial aid because they are not compensation for work performed, but support activities that are primarily for the benefit of the student and their education
- Stipends are not compensation for work performed and there are no effort reporting requirements related to receiving a stipend payment
- This payment processing change will not impact how student payments are currently treated on training grants

What is the new process for paying students?



- Training grant payments will be **entered in GradStar** beginning August 2021 and no longer paid from Accounts Payable campus vouchers
- Payments will be made on a **semester** basis instead of monthly.
- Payments are entered in GradStar -- award info is automatically sent the Office of Scholarships and Student Aid (OSSA) to check for loan eligibility -- award info is updated to Cashier's Office where payment/award is dispersed to student



*Cashier's Office is responsible for collections if students are overpaid.

What are the impacts to students?



- Training grant payments will be paid once per semester rather than in monthly installments
- Students will need to budget for the semester; educational resources will be provided to help students with this transition
- Federal aid eligibility could be reduced (only applies to students who receive federal aid)
- Training grant payments will be reported on form 1098-T, issued by the [Cashier's Office](#)
- 1098-T helps a student determine if they can claim a tax deduction or one of the education tax credits on their federal income tax return
- Training grant payments will not be reported as taxable income on form 1099-M or W-2

What should students do to plan for these changes?



- Students should plan-ahead and budget for the semester
- Resources are available to help students with this transition:
 - [LinkedIn Learning](#) has courses and tools for personal budgeting
 - Internal Revenue Service (IRS) [publication 970](#) provides the policy for tax benefits for education
 - [Volunteer Income Tax Assistance \(VITA\)](#) program is available to help students with tax filing (hosted by the UNC School of Law)
- Students should sign up for [direct deposit](#) with the Cashier's Office to ensure they receive their payment on time

What are the impacts to departmental staff?



- Current finance staff will no longer use Accounts Payable to make training grant payments.
- Current finance staff may need to get access to GradStar and get trained in the system
- Current student services staff who process other GradStar payments may also process training grant payments
- Supervisors and departmental managers need to think about staff assignments and workload
- Cross training may be needed for finance staff and student services staff on how to process training grants in GradStar

Questions and Resources



- Review list of FAQs for training grants
- [Graduate School - GradStar](#) | gradstar@unc.edu
- [Office of Scholarships & Student Aid](#) | aidinfo@unc.edu
- [Cashier's Office](#) | funded@unc.edu
- [Office of Sponsored Research](#) | ResAdminOSR@unc.edu

Training Grant FAQs



How are training grants, stipends, and financial aid defined?

- A **training grant** is an agreement that provides a coordinated training program for students, postdoctoral researchers, staff, teachers and/or faculty who are selected by the institution to be a part of the training program. Payments provided to trainees from training grants are intended to defray living and/or training related expenses while the trainee participates in the training program
- A **stipend** from a training grant is a payment that is made to an individual to support a training/learning experience. Stipends are frequently in the form of a “living allowance” and are intended to offset living expenses. Stipends are not compensation for work performed and there are no effort reporting requirements related to receiving a stipend payment.
- **Financial aid** includes all monies paid to support students *unless* payments are to compensate for work performed or reimbursement of travel performed on behalf of the University. In other words, any travel, research, or other activities that are primarily for the benefit of the student and their education (including training grants) are considered financial aid for reporting purposes. The [Office of Scholarships and Student Aid](#) administers federal and state aid for the University. All non-compensation funding must be counted to determine the student’s aid eligibility.

Training Grant FAQs



Why is the University changing how it administers payments to students?

- The University took a comprehensive look at how student financial aid payments are made and this change will ensure we remain compliant with state and federal regulations. Any travel, research or other activities that are primarily for the benefit of the student and their education, *including training grants*, are considered financial aid. These payments are required to be coordinated with other aid received to ensure that total resources from University and external sources do not exceed student need when the student is receiving any state or federal support and that all are reported correctly to the UNC system office and other agencies, as appropriate.
- GradStar is the University's reporting system for all non-service fellowships, tuition, and fee awards given to a student. Implementing a change to pay students from this system is appropriate and necessary to accurately report financial aid payments. Additionally, the project team identified that this change aligns with how other Universities administer student payments on training grants.

Training Grant FAQs



Is this change primarily an administrative one to save money for the University?

- No. None of these changes were made for cost savings. The change is being implemented to address compliance and accuracy in reporting student aid and ensures the University can continue to administer federal aid. Any administrative and procedural enhancements are secondary to compliance and reporting accuracy.

Why do payments made from a T-series grant to a graduate student count as financial aid, but payroll made to a student from a faculty's research grant (done via payroll) does not?

- Students paid through payroll are being compensated for work performed.
- Trainee payments from training grants are not considered compensation for work performed but are defined as funding primarily for the benefit of the trainee and their education.

Training Grant FAQs



Why are payments from T-series grants considered to be the same as a fellowship made to a student, such as an NIH-NSRA/HHMI/NSF?

- The nature of the payment, not the sponsor, controls whether the payment is a stipend or compensation. If the payment is compensation for work performed, the payment is not a stipend – it is compensation. If the payment is specified to help defray living expenses, or a similar description, it can be classified as a stipend.

Why can postdocs appointed to a T-series training grant have their stipends routed through payroll, but graduate students cannot?

- Payroll can only manage FICA exemptions and other fringe benefits associated with compensation. As noted above, support for graduate student trainees is classified as financial aid so cannot be administered through payroll.

Training Grant FAQs



What should a student do if they think their financial aid will be impacted by this change?

- Students should contact the [Office of Scholarship and Student Aid](#) if they have questions about their financial aid package and how funding they accept from University sources may impact their aid eligibility.

What are the tax liabilities to the student associated with payments distributed via GradStar?

- Payments processed from GradStar will be reported on a 1098-T. Form 1098-T is an informational tax document to aid taxpayers in determining whether they are eligible to claim a tax deduction or one of the education tax credits on their federal income tax return. More information can be found on the [Cashier's Office](#) website.
- Payments processed by Accounts Payable campus vouchers were reported as compensation, either on a 1099-M or to payroll to be included on the W-2.

Training Grant FAQs



In the future, will it be possible to program GradStar to distribute payments monthly instead of only per semester?

- At this point, it is not possible to distribute monthly payments, but the project team will revisit periodically to see if a change can be made. While we recognize that this means students will need to budget the funds over the course of the term, they will in fact receive more money earlier so should not be disadvantaged.

How do I decide which method to use to pay my students on training grants?

- Matrix/Table forthcoming.



THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL