
VANDERBILT UNIVERSITY

INTEROFFICE MEMORANDUM

DIVISION OF SPONSORED RESEARCH

TO: UNIVERSITY CENTRAL FACULTY, PRINCIPAL INVESTIGATORS, DEPARTMENTAL AND PROJECT ADMINISTRATORS

FROM: JOHN CHILDRESS - DIRECTOR

SUBJECT: IMPLEMENTATION GUIDELINES FOR CHARGING TUITION FOR GRADUATE RESEARCH ASSISTANTS DIRECTLY TO RESEARCH GRANTS

DATE: 23-JUN-04

CC: DENNIS HALL & STEVEN SMARTT

As recently announced by Provost Zeppos, beginning with the Fall Semester 2004 the following policy will be in effect with respect to tuition for Graduate Research Assistants working on and supported by sponsored research projects:

When graduate students are supported as full-time (nominally 20 hours per week) Graduate Research Assistants (GRA) funded by externally-sponsored projects, those projects will support 35% of the tuition for those GRAs. This share of tuition will be directly charged to the grant or contract. Students appointed as less than full-time GRAs to one or more sponsored projects should have an amount of their salary and tuition paid by the project(s) proportionate to their assignments.

I am writing to provide specific guidance for implementation of this new policy. This memorandum explains and illustrates how certain grant applications and contract proposals submitted by Vanderbilt to external funding agencies should (effective immediately) budget for and administer partial tuition support for Graduate Research Assistants (GRA). This policy change applies to research projects and has no bearing on federally-funded Training Grants.

Note that the new policy requires that all externally-funded research projects include 35% of the tuition for GRAs who are working on those projects. Any portion of this 35% that is not paid by the sponsoring agency should be treated as cost-sharing by the VU school where the GRA is enrolled. This new policy also calls for a specific and consistent means of administering tuition for GRAs as distinct from salary paid to GRAs. Individual Vanderbilt schools and colleges, through their dean's offices, will continue to establish and communicate their requirements or expectations for including GRAs on grants and contracts.

Background: For the past several years, Vanderbilt has incorporated any tuition for GRAs paid from grants into the salary paid to the GRA. The purpose of Vanderbilt's new policy is to separate the grant-paid support to GRAs into two components: a salary paid as compensation for services performed, and partial tuition. The tuition will no longer be paid to the student embedded in their paycheck. Instead, the tuition will be directly charged to the grant or contract and credited directly to the student's tuition bill.

General Guidance: Three key points bear mentioning: First, when partial tuition is included in research grant applications and contract proposals submitted to external funding agencies, the tuition should be specifically budgeted as a direct cost line item, using the percentage stated in the new policy, above.

Second, in accordance with our Facilities and Administrative (F&A, or indirect) cost rate agreement with the federal government, tuition costs paid directly from the grant are not subject to indirect costs.

Third, the rate of compensation for GRAs should be consistent with norms for the department or program in which the GRA is enrolled and employed.

The remaining sections of this memo address future, pending, and currently-funded projects. Some frequently asked questions are addressed in the closing section.

A. Looking Ahead – Implementation for future Grant Applications and Contract Proposals:

Grant applications and contract proposals for externally-funded research projects that request support for one or more GRAs should include both a salary level commensurate for the duties to be assigned, in keeping with the norms for your department, along with 35% of the graduate tuition for the GRA(s). Bear in mind that GRAs are permitted to work up to 20 hours per week while enrolled for any coursework, including dissertation research.

For grant applications and contract proposals, the salary component of the GRA support should appear in the personnel section of the proposed budget, while the tuition component should be specifically listed in a separate line item, for example, under the "other" costs section of the budget. Most federal agencies use a budget format with a category of this nature. (On PHS 398 forms use the "Other Expenses" section of the budget form. On NSF budgets use the "Other Direct Costs" section.) The key point is that the tuition should not be listed in the salary and wages section of the budget. In the budget justification, state that "partial tuition is included for the Graduate Research Assistant consistent with University policy."

For budgeting purposes, you may calculate the tuition based on the specific number of credit hours the GRA will be taking, if known. Otherwise, use an estimate of the tuition based on a projected course load. (In many cases, this will be at least 9 credit hours per semester for fall and spring, or 18 hours per academic year, plus any credit hours expected to be taken in the summer term. The 2004-05 graduate tuition rate is projected to be \$1,213 per credit hour. Once graduate students have completed 72 credit hours, they may register for "zero" hours and are subject to a minimum tuition charge of \$200.) The proposal budget should then include 35% of the estimated tuition.

Attached, as Example A, is a sample budget illustration showing both a GRA salary and partial tuition, each budgeted as a separate item of direct cost. This example correctly applies the F&A costs to the GRA salary (along with other direct costs that are subject to F&A), and shows that F&A costs are not applied to the tuition line item.

B. Implementation for Pending Research Grant Applications and Contract Proposals:

Even though a grant application or contract proposal may have recently been submitted to a sponsoring agency and is awaiting a funding decision – whether for a new project or continuation of an on-going project – once funding is awarded we have the ability to arrange the project budget to conform to our new policy. For instance, if a pending project requested funds for a GRA and included partial tuition within that GRA salary (as have many Vanderbilt projects heretofore), we can rebudget some of the

salary and some of the F&A costs (i.e., those costs associated with tuition) into a line item for tuition in the internal budget center for the project, using the 35% rate described in the new Vanderbilt policy. Because we are implementing a consistent practice for tuition on research grants, any portion less than 35% paid by the sponsor should be cost-shared by Vanderbilt. Any such rebudgeting should also make certain to preserve the proper ratio between direct and indirect costs.

Given that grants and contracts often receive less funding than is requested, it is best for a PI to wait until actual funding is known and then prepare a revised internal budget at that time. In some circumstances PIs may find that, after using this approach and applying the new tuition policy, they will have a few more dollars to reallocate to other project costs than they would under our previous practice.

Example B, attached, gives two different illustrations of how the budget of a previously proposed budget could be reallocated under the new policy. These examples assume the grant or contract is funded at the full amount requested. The actual project budget should, of course, be based on the amount awarded by the funding agency.

C. Implementation for Currently Active Research Projects:

If you have a currently active research grant or contract, e.g., one that will continue into Fall 2004 or beyond, that supports a GRA, you should plan to expend and account for the GRA funding in two parts. First, the salary support for the GRA should be paid through the payroll system, as usual. Second, 35% of the tuition for the GRA(s) should be charged directly to the grant. For most projects this will entail a rebudgeting of the project cost center. Example C, attached, illustrates how an active project budget can be redistributed in this manner.

Note that once the current grant or contract budget period ends, future grant applications and contract proposals for the project should also apply the new policy for tuition for GRAs.

D. Administrative Procedures for GRA Compensation and Tuition on Sponsored Research

Compensation (salary) paid to GRAs working on sponsored research projects should be initiated and administered using the Payroll Action Form (PAF). Under the new policy for tuition paid directly from research grants or contracts, tuition should no longer be included as part of the salary paid to the GRA.

As a reminder, the rate of compensation for GRAs should be consistent with norms for the department or program in which the GRA is enrolled and employed, that is, the compensation level should be commensurate with the services performed and comparable to the compensation paid to GRAs engaged in similar services in that department or program and supported by a comparable funding source. Documentation and certification of effort must also comply with Vanderbilt standards, which are based on federal OMB Circular A-21. For more information on these requirements, see <http://www.vanderbilt.edu/ocga/vupolicies/effortreporting/efforttableofcontent.htm>

Tuition paid from sponsored research projects should be administered and accounted for separately from salary. Any portion of tuition to be paid from a sponsored project (restricted center) should be initiated and processed using the Graduate Award Form or similar procedure. Administrative Officers or Budget Officers can offer guidance on the process to be utilized for charging tuition to budget centers in your academic division. The appropriate percentage of tuition should be charged directly to the grant or contract restricted center number. The process should include routing and approval signatures as required by your division or school budget officer.

Tuition remission will need to be prorated between centers for any GRAs who are assigned to more than one project, in the same ratio as their assignment and compensation. For example, if a GRA's assignment is divided equally between two grants, the percentage of tuition remission to be paid from those sponsored projects must also be apportioned equally to each center.

Note that tuition remission is posted at the beginning of each academic semester or term and is applicable to the full semester or term. If the grant or contract budget period begins or ends in the middle of an academic term, the amount of tuition remission paid from a restricted grant or contract will need to be prorated accordingly. For example, if a sponsored project budget period ends September 30 (i.e., one month into the four-month fall semester) and a new project budget period begins October 1st, one-fourth of the percentage of tuition remission should be charged to one center and three-fourths to the other center number. If, however, the same center number will be used for the continuation of the sponsored project, that single center number can be used to charge tuition remission for the full semester. In the event that a new center number is not known or not assigned at the time tuition remission is processed, a journal entry or cost transfer will be necessary once the new center number is known.

Questions on this guidance for implementation should be directed to the Division of Sponsored Research (for University Central). If you have questions concerning the new policy, please contact Steven Smartt, Assistant Provost for Graduate Education and Research, in the Graduate School office, at 322-3825. Questions about the requirements or expectations in your academic department for including GRAs on sponsored projects should be directed to the Dean's office in your school or college.

Frequently Asked Questions and Answers:

Q. Why is graduate tuition for GRAs being charged to grants and contracts?

A. Including a portion of tuition for GRAs working on grants has been a common practice at Vanderbilt (and other research universities). In addition to compensation for services performed on a research project, a partial tuition scholarship is part of the total support for GRAs paid by the grant or contract. The combination of salary and tuition also acknowledges the dual role of GRAs as researchers and as students.

What's different about our new policy is the way we now will administer this tuition on grants – i.e., to charge it directly to the grant instead of paying it to the student first as a part of their salary. At the same time, we want to establish a more consistent practice and a means for handling this throughout the University.

Q. How did we settle on 35% of tuition as a number to use across the University?

A. This number has been determined for several reasons. First and foremost, it has been calculated to be in compliance with the cost principles that call for a reasonable allocation between the compensation portion and the scholarship portion of the grant-funded GRA support. In addition, this percentage of tuition is comparable to the tuition component that has been customarily paid (as salary) to our GRAs on many grants. Finally, this 35% level is least disruptive to our currently active grants and in most cases will not penalize the project. In fact, in some instances PIs will find that rebudgeting to accommodate the new policy will result in funds that can be allocated to project costs other than GRA support or may reduce the total costs of the project.

Q. Can a sponsored project show all of the remainder of tuition (i.e., the 65% not accounted for in the grant) as cost-sharing?

A. Yes, but only in those instances when there is mandatory cost sharing requirement. In these cases, the portion of the tuition paid by Vanderbilt that is above the 35% can be considered as appropriate for cost sharing purposes on the sponsored project to help meet the mandatory cost sharing commitment. (Note: some research grants from non-federal sponsors and most training grants pay up to the full cost of tuition. This policy does not affect those practices.)

Q. I have not previously included any tuition for my GRAs. Does this mean I now need to do so? How will I be able to accommodate this within a limited budget for my research grant?

A. Your dean's office can offer guidance on when and how sponsored projects are expected to include and support GRAs on research projects in your department or school. In most cases, active grants should not be penalized if they do not already include tuition in the compensation for GRAs. Future grant applications should include support for GRAs at the level stated in our new policy, even if that requires that some of the 35% of tuition will be cost-shared. As always, however, cost-sharing is subject to approval of your school dean.

Q. Why hasn't Vanderbilt previously charged tuition as a direct cost on research grants?

A. Until the federal Office of Management and Budget issued a clarification on this topic, many universities have interpreted the regulations to allow tuition only when administered as a form of compensation or salary. Given the more recent federal guidance on this subject, we now can account for the partial tuition paid from grants as a specific and separate direct cost line item.

Q. Do other universities use this method? Is this method acceptable to grant-making agencies?

A. Many other research universities directly charge tuition to research grants. Others are reassessing the interpretation of the regulations and are either making or considering a similar change in practice. Grant-making agencies are accustomed to seeing universities use varied methods for budgeting and accounting for GRA support. One of these methods is as described in our new policy. Two key agencies, PHS and NSF, mention "tuition in lieu of salary" or "tuition remission" in their instructions for using the Other Costs sections of their budget forms.

Q. What difference does it make to a graduate student whether we pay their tuition as part of their salary, or pay it directly from the grant?

A. The primary difference is that when tuition is included in the GRA salary, it becomes part of taxable compensation. In some instances, after taxes are withheld the net portion of salary intended for tuition is not equal to the tuition that is owed by the student. This is clearly a disadvantage and disservice to the student. In addition, tuition paid as salary can place the student in a higher tax bracket and thereby increase their tax burden on all compensation.

Q. What procedures or forms should be used to charge tuition to a grant?

A. The form(s) already in use internally to initiate a charge to a budget center for tuition charges can be used to charge tuition directly to a grant or contract center. For example, the "Graduate and Professional Student Award Form" (Form 60-002-655) includes a line for tuition, which has a box for the center (where a restricted center number can be inserted), and a box for a percentage of tuition.

Q. Can I charge the full \$200 to the grant or contract when the student is registered for zero hours and has only a minimum tuition charge of \$200?

A. Like any other amount of tuition, only 35% the \$200 tuition charge should be allocated and charged to the sponsored project.

Q. What about Health Insurance? Haven't we often included funds for this cost in GRA salaries?

A. For the present, this new policy addresses only the tuition component of GRA support. Health insurance will continue to be handled as before. In many cases, the GRA compensation has been calculated to include these costs. A payroll deduction is probably the way most GRAs will want to pay these fees. Further attention will soon be given to whether insurance fees can be directly charged to the grant and you will be informed of any changes.

Q. What about Student Activity Fees?

A. The Activity Fee is not an allowable cost that can be directly allocated to a sponsored research project. Students are responsible for paying this fee, whether or not their salary includes an amount for the fee in their compensation.

Q. What if the specific circumstances of my research grant or contract do not match any of the illustrations attached to this memo?

A. Contact the Division of Sponsored Research (for University Central) to confer about the circumstances.