

Graduate Student Financial Aid (notes for a primer)

A. Graduate Financial Aid Awards

Merit-based aid is the norm for graduate students, and since applicants will follow the money, merit-based aid is an important recruiting tool.

Expectations regarding types and levels of support vary from institution to institution and from discipline to discipline, as do funding mechanisms.

Terminology can differ, but there are basically two types of merit-based aid: money to pay required tuition and fees, and money to live on. These broad categories are generally referred to as SCHOLARSHIPS and STIPENDS. (The IRS doesn't care what you call an award, they care only about what it is used for.)

(1) SCHOLARSHIPS cover some or all of required tuition and fees. This type of finding is often referred to as "tuition waivers" – but tuition charges are NEVER "waived" at any university, private or public. Tuition is ALWAYS charged and someone ALWAYS pays the bill.

Scholarships that meet the IRS's definitions are presumptively tax-exempt under current law for most graduate students. Check with your University Counsel about possible caveats for some international students.

(2) STIPENDS, provided for living expenses, come in two flavors:

- a. SERVICE stipends in which the student performs academic tasks in return for financial support. These positions are generally called "graduate assistantships.
- b. NON-SERVICE stipends in which there is no quid-pro-quo exchange of service.

Both types of stipend are presumptively taxable (again, with some exceptions).

GENERAL PRINCIPLES FOR AWARDS:

Both scholarships and stipends can vary from a token amount to whatever is considered a "standard" award in a given field on your campus:

- = Full or partial scholarships may be provided to either master's or doctoral students without awards of an accompanying stipend, but if you offer a student a "standard"-level stipend, it should ALWAYS be accompanied by a full tuition scholarship.
- = length of support – may be offered a semester or year at a time, or you may admit with a promise of X years of support) assuming satisfactory degree progress (and a target time-to-degree).
- = terms of support (again, scholarships must have NO work component, or you'll get in trouble with the IRS)

B. Raising Graduate Financial Aid

Your most important task will be to get people to LET YOU help raise funds for graduate financial aid. Here is some principles to keep in mind:

- (1) Tuition income falls straight to the university's bottom line. All of your university's finance officers see their jobs are maximizing that number. (Yes, we are non-profit organizations, but we want to be successful non-profits, which means cash flow and endowment growth.)
- (2) Tuition scholarships are a form of tuition discounting. Every dollar of scholarship offered has to come from some real financial source, whether that is legislative appropriation, endowment, or current tuition income. That means that every dollar spent on graduate scholarship support reduces the bottom line. This fact puts you in conflict not only with the finance officers, but with every other university unit that wants that dollar.
- (3) You can and should assume that no one -- including your university president, the alumni office, and the "advancement" team (aka the fund-raising staff) -- understands the first thing about graduate student financial aid needs. In fact, they may not even know that there ARE graduate students on your campus and that they HAVE financial aid needs.

Master's programs are, for the most part, professionally oriented, attracting students who are presumed to be willing to invest in career training that will eventually provide to be lucrative. You can therefore get them to pay tuition. Since tuition falls to the bottom line, all the financial people on your campus will be happy, because the master's programs will "make money." But both the faculty and their students will demand to know why there is little or no financial aid for master's students.

Ph.D. programs, by contrast, cost money – lots of money – and scholarship aid is the least part of it. If you can get the attention of your fund-raising people, they will want to talk with you about plans to raise scholarship money – which, you'll remember, is tuition income for the university. That is also the primary means of support for undergraduates, who are the only students they know about. Raising scholarship funds for master's students is fine especially when there are many successful master's-degree alumni out there who will be happy to support their kind, thereby doing the work for you.

But I can guarantee you that your fund-raising staff will not understand when you tell them what I'm going to tell you: They don't need to raise funds for tuition support for Ph.D. students because you're going to insist that that be provided to nearly every Ph.D. student as a matter of course, the same way that electricity and water are provided to them on campus. You know that what Ph.D. students need are funds that DON'T fall to the bottom line, and that in fact evaporate from campus:

- stipend support (for rent, groceries, bus fare and gasoline)
- research travel support (to do fieldwork, research in archives, interviews)
- conference travel support (to get their work out there, network, and find a job)

In other words, Ph.D. students are quasi-faculty who need the same kinds of support for their research that faculty do.