

*For information about determining the federal share and institutional share of Federal Work-Study (FWS) payments to students, refer to chapter 1.*

---

## ESTABLISHING WAGE RATES

Undergraduate students are paid FWS wages on an hourly basis only. Graduate students may be paid by the hour or may be paid a salary. Regardless of who employs the student, the **school** is responsible for making sure the student is paid for work performed.

A school should determine the number of hours a student is allowed to work based on the student's financial need and on how the combination of work and study hours will affect the student's health and academic progress. There are no statutory or regulatory limits on the number of hours per week or per payment period a student may work, provided no overaward occurs. (See *Volume 4 - Campus-Based Programs Common Provisions*.)

A student must be paid at least the current federal minimum wage, but there is no maximum wage rate. As noted in chapter 1, it is not permissible to pay a lower "subminimum" or "training" wage to students in FWS jobs. A school may not count fringe benefits as part of the wage rate and may not pay a student commissions or fees. In determining an appropriate rate, the school must consider the following:

- the skills needed to perform the job,
- how much persons with those skills are paid in the local area for doing the same type of job,
- rates the school would normally pay similar non-FWS employees, and
- any applicable federal, state, or local laws that require a specific wage rate.

A student's need places a limit on the total FWS earnings permissible but has no bearing on his or her wage rate. It is not acceptable to base the wage rate on need or on any other factor not

---

### Minimum Wage Cite

*Dear Colleague Letter CB-96-23, dated November 1996*

related to the student's skills or job description. If a student's skill level depends on his or her academic advancement, the school may pay a student on that basis. For example, a junior or third-year lab student may be paid a higher rate than a sophomore or second-year lab student. However, in most cases, students performing jobs comparable to those of other employees should be paid comparable wages, whether the other employees are students at different class levels or are regular employees.

## DISBURSEMENT

A school must pay a student at least once a month. Formerly, a school was required to pay the federal share of FWS compensation by check or similar method<sup>1</sup> that the student could cash on his or her own endorsement. The school could not directly transfer the federal share to a student's account at the school. Effective October 1, 1998, a school may, on a student's request, make payments directly to the student's bank account or may credit the student's school account for tuition and fees, room and board (**if contracted by the student through the school**), and other institutionally provided goods and services.

A school may not obtain a student's power of attorney to authorize any disbursement of funds unless the U.S. Department of Education has granted prior approval. The Department would not grant such a power of attorney (to allow a school to act on behalf of a student) unless the school could demonstrate that there is no one else (such as a relative, landlord, or member of the clergy, for example) who could act on behalf of the student.

If the school pays its share of FWS wages by **check**, it must pay the nonfederal share to the student at the same time it pays the federal share. (See chapter 1 for a discussion of federal and institutional shares of FWS compensation.) FWS wages are earned when the student performs the work. A school may pay the student after the last day of attendance for FWS wages earned while he or she was still in school. However, when a student has withdrawn from school, FWS funds may not be used to pay for work performed after the student withdrew. A correspondence student must submit the first completed lesson before receiving payment.

If the school pays its share of FWS wages for an award year in the form of a **noncash contribution** (tuition, fees, services, or equipment), it must do so before the final payroll period of the award year. If the school pays this share in the form of **prepaid** tuition, fees, services, or equipment, it must give the recipient—again, before the end of the final payroll period—a statement of the amount of the noncash contribution earned. (For more information on using noncash

---

### Payment to Students Cite 34 CFR 675.16

---

1. For example, the school may pay the student with a draft or purchase order or electronic transfer to the student's bank account.

contributions as part of the school's share of FWS wages, see Chapter 1.)

When a payment period is in two award years (that is, when it begins before and ends after July 1), the student is ordinarily paid for compensation earned through June 30 with funds allocated for the first award year and for compensation earned beginning July 1 with funds allocated for the following award year.

A school may "carry back" funds for summer employment; that is, it may use any portion of its initial and supplemental FWS allocations for the current award year to pay student wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year (July 1). For example, a school is authorized to carry back any portion of its funds allocated for the 2000-2001 award year to pay FWS wages for summer employment between May 1, 2000 and June 30, 2000 (including both those dates).

A school may carry back funds for reasons other than to pay summer wages. A school is also allowed to use up to 10% of the next year's FWS initial and supplemental allocation at any time during the current award year. "Carrying forward" is also permitted. A school may carry forward up to 10% of its FWS initial and supplemental allocation for the current award year to the next award year.

If the school carries forward funds from the current award year to the following award year, the expenditures are charged to the allocation for the current award year. If the school carries back funds from the next year to the current year, the expenditures are charged to the next award year.

Paying students from the correct award year is important; schools have been held liable when students were paid from the wrong FWS authorization. For audit and program review purposes, the school must have documentation (e.g. canceled checks, bank statements) in its files to show that students received payment in the amount charged to the FWS Program.

The school may use any type of payroll period it chooses, provided students are paid at least monthly. It is a good idea to have the FWS payroll correspond to other, similar payrolls at the school.

## PAYROLL RECORDS

Schools must follow the record keeping requirements in 34 CFR 668.24 (discussed in *Volume 2 - Institutional Eligibility and Participation*) and those in 34 CFR 675.19 (discussed below).

For reporting and control purposes, FWS expenditures must be distinguishable from other institutional expenditures. FWS compensation should either be entered on a separate voucher or, if

---

### Payment Period in Two Award Years Example

*John's payment period extends from June 15, 1999 to July 15, 2000. Caravello College pays John with its 1998-99 allocation through June 30 (the end of the 1998-99 award year) and with its 1999-2000 allocation beginning July 1, 1999 (the beginning of the 1999-2000 award year).*

---

### Carrying Back Funds for Summer Cite

*34 CFR 675.18(f)*

---

### Payment Records Cite

*34 CFR 675.19(b)*

listed on the general payroll voucher, should be grouped separately from other expenditures. If payrolls are handled on automatic data processing equipment, a special code for FWS payments should be used.

A school must establish and maintain program and fiscal records that are reconciled at least monthly. The records must include:

- a certification that each student has worked and earned the amount being paid; the certification must be signed by the student's supervisor—an official of the school or off-campus agency; if the students are paid on an hourly basis, the certification must include or be supported by a time record showing the hours each student worked in clock time sequence, or the total hours worked per day;
- a payroll voucher containing sufficient information to support all payroll disbursements;
- a noncash contribution record to document any payment of the school's share of the student's earnings in the form of services and equipment.

Payroll vouchers must support all payroll disbursements and should provide space for the following information:

- the school's name and address;
- the starting and ending dates of the payroll period;
- the student's name;
- an identification of the student's job;
- the number of hours worked during the pay period;
- the hourly rate of pay for an undergraduate student;
- the hourly rate of pay or salary for a graduate student;
- the student's gross earnings;
- any compensation withheld for federal, state, county, or city taxes, and other deductions;
- any noncash payments;
- the student's net earnings;
- a check number, duplicate receipt, or other payment identification; and
- any overtime earnings (a student may be paid overtime with FWS funds).

## PAYMENT DIRECTLY TO STUDENT ACCOUNTS

The Higher Education Amendments of 1998 allow schools, upon student request, to make FWS payments directly to the student's account at a financial institution or the school for

- i) tuition and fees
- ii) student-contracted room and board through the school and
- iii) other school-provided educationally related goods and services

In addition, under 34 CFR 675.16(a) (3) (iv), a school may credit a student's account to satisfy minor prior award year charges if these charges are less than \$100 or if the payment of these charges does not or will not prevent the student from paying current educational costs.

In order to make FWS payments directly to the student's account at a financial institution or at the school, the school must obtain written authorization from the student. The authorization must:

- 1) not be included as part of a list or in combination with other types of authorizations signed by the student;
- 2) not be required or coerced by the institution;
- 3) allow the student to cancel or modify the authorization at any time;
- 4) clearly explain how the school will use the authorization; and
- 5) indicate exactly to what location the student has authorized the funds transferred.

The authorization to transfer funds to a student's account at the school must be separate from the authorization to have funds transferred to his or her bank account. For purposes of the authorization to transfer FWS funds to a student's bank account, the bank forms required to initiate a direct deposit can be considered the authorization.

If the total amount of FWS funds credited exceeds the amount of tuition and fees, contracted room and board, and charges for other school-provided educationally related goods and services, the student must be paid the balance as soon as possible, but no later than 14 days after the balance occurred on the student's account.

Payment Directly to Student  
Accounts Cite  
*HEA Section 445(c)*  
*34 CFR 676.16*

Student Authorization Cite  
*34 CFR 675.16(a)(4)*

***Holding Excess FWS Funds on Behalf of Students***

Unless a school is on the reimbursement payment method, it may hold, on behalf of a student, FWS funds that would otherwise be paid directly to the student. After an excess balance occurs, the school can hold funds if,

- 1) obtained a written authorization from the student for this specific purpose;
- 2) identified the amount of FWS funds held in excess for each student in a designated subsidiary ledger account;
- 3) maintained cash in its bank account that is always at a minimum equal to the FWS funds being held for students;  
and
- 4) paid any remaining balance by the end of its final FWS payroll period for the award period.