



MEMORANDUM

DATE: July 10, 1998

TO: Presidents

FROM: Kennon Briggs, Vice President for Business and Finance
Bill Cole, Director, Program Audits
Marvin Joyner, Chair, NCACCP Finance Committee

SUBJECT: Self-Supporting Memorandum

We are enclosing for your review a draft memorandum dealing with self-supporting classes/programs. Regarding the use of excess receipts acquired through offering self-supporting classes, the attached memorandum takes an approach similar to what is currently applied through the college's bookstore.

This memorandum will be discussed further at the NCACCP meeting in New Bern on July 22-24. Please contact us if you have further questions.

C Dr. Barry Russell
Senior Instructional Officers
Senior Continuing Education Officers
Senior Fiscal Officers

DATE: July 10, 1998
TO: Presidents' Association
FROM: Kennon Briggs, Vice President for Business and Finance
Bill Cole, Director, Program Audits
Marvin R. Joyner, Chair, NCACCP Finance Committee
SUBJECT: Revised Self-supporting Recommendations

A self-supporting policy proposal was discussed with the Finance Committee of the Presidents' Association at the Presidents' meeting at Sandhills Community College in April. The Finance Committee had reservations about the proposed self-supporting policy and requested State staff to take another look at the policy. At a June 18 meeting with the Presidents' Association Finance committee sub-group, further adjustments were made to the policy offered in April and the revised policy is outlined below:

- State Board policy 23 NCAC 2D.0203 (b) permits the offering of self-supporting classes and specifies that "each student is required to pay a prorata share of the cost of a self-supporting class." The intent of the policy as applied by the State Board is to keep student charges as low as possible.
- Given the uncertain nature of estimating the number of participating students and other related aspects, acquiring excess receipts for a given class is not inconsistent with State Board policies; however, accumulating a significant fund balance and expending these dollars appropriately are the primary issues.
- A key element in offering self-supporting classes is System uniformity in determining direct and indirect costs involved.

DIRECT COSTS:

The following items should be considered direct costs in providing self-supporting instruction:

1. Instructor(s) salary including FICA, travel, course development costs, etc.,
2. Instructional supplies and materials,
3. Rental of building, and other directly assignable costs,
4. Advertising, e.g. printing costs associated with a brochure, postage, mailing, etc,
5. Equipment associated with the instruction for a self-supporting class,
6. Refreshments,
7. Other costs necessary for and directly assignable to a class or costs which are directly assignable to self-supporting classes (could include administrative costs if verified as directly assignable).

INDIRECT COSTS

Indirect costs are the costs for activities supporting the offering of classes but cannot be directly and exclusively assigned to a class or the self-supporting program.

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Examples of indirect costs include:

1. Utilities, custodial, and security,
2. Coordinator/Administration (not directly assignable), and
3. Clerical salary and fringes

If self-supporting receipts (all categories, e.g. curriculum, community service, etc.) exceed expenditures for the fiscal year the following provisions apply:

1. If receipts exceed direct expenses by less than 25%, the excess receipts may be expended in support of
 - a. Student aid and/or scholarships.
 - b. Other expenditures of direct benefit to students (e.g., funding of positions for financial aid and student activities, etc.).
 - c. Other similar expenses authorized by the board of trustees (e.g., new faculty positions for start up of new programs, counselors, equipment, construction, program improvement, etc.)
2. If receipts exceed direct expenditures by greater than 25%, the surplus revenue above 25% must be expended for student financial aid/scholarships and/or program improvement.
3. Funds in excess of the above direct and indirect expense may not be used for:
 - a. Supplemental salaries of any personnel.
 - b. Administrative support of the college other than noted above of direct benefit to students.
 - c. College entertainment expense. (Educational activities for non-college personnel or college personnel to enhance student success would not be entertainment. Functions in which the primary purpose is fund raising would be entertainment.)

For example, a college expended \$100,000 for FY 1998-99 and collected \$130,000 in receipts. The fund balance of \$15,000 as of July 1, 1998 is not a consideration. The college multiplies the expenditures for 1998-99 by 125% ($\$100,000 \times 1.25 = \$125,000$). Therefore, the college would apply provision number one for \$25,000 and provision two for \$5,000. None of the excess receipts could be expended for college entertainment expenses.

Each college board shall adopt for self-supporting classes a policy concerning the amount of mark-up to be charged and the uses to which funds in excess of operating expenses may be applied. Each college board of trustees shall annually review its policy on self-supporting classes and the use of excess revenues collected. All expenditures shall be consistent with the mission and purpose of the community college system.

Please contact us if you have questions or comments.

- c: Dr. Barry Russell
Dr. Brenda Rogers
Dr. Elizabeth Johns