MEMORANDUM

TO: Presidents
   Business Managers

FROM: Barry W. Russell
       Executive Vice President

SUBJECT: Self-Supporting Recommendations

A self-supporting position proposal was initially discussed with the Finance Committee of the Presidents’ Association and later approved by the Association at its July meeting in New Bern. The recommendation was submitted jointly to the Policy and Finance Committees at the September State Board meeting for information. The State Board accepted this position and recommended implementation. The implementation date is the 1998-99 fiscal year which began July 1. The position offers suggestions regarding offering self-supporting courses. An administrative code change will be initiated. The position is discussed 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.

- The position discussed below parallels the State Board policy regarding the use of excess bookstore receipts.

- 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, and
7. Other costs necessary for and directly assignable to a class or costs which are directly assignable to self-supporting classes (could include administrative/clerical 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 self-supporting class or the self-supporting program. If indirect costs (see examples below) can be directly and exclusively assigned to a self-supporting class or self-supporting program, the costs can be considered direct costs.

Examples of indirect costs include:

1. Utilities, custodial, and security,
2. Coordinator/Administration, 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 expenditures, the surplus revenue should be expended for student financial aid/scholarships and/or program improvement. Expenditures should be of direct benefit to students.

2. Funds in excess of the above direct and indirect expense should 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.)

**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. If a college self-supporting expenditures for 1998-99 was $100,000 and receipts were $130,000, the $30,000 surplus revenue would have to be expended consistent with item one above. None of the excess receipts should be expended for college entertainment expenses.

Each college board should 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 should review its policy on self-supporting classes and the use of excess revenues collected (at least once every three years). All expenditures should be consistent with the mission and purpose of the community college system. To incorporate the above position into State Board policy, a public hearing process will be initiated.

Please contact Kennon Briggs or Bill Cole of the System Office if you have questions or comments.

bc
c: Kennon Briggs
   Brenda Rogers
   Bill Cole