

**CALIFORNIA COMMUNITY COLLEGES
CHANCELLOR'S OFFICE**

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December 1, 1999

TO: Chief Student Services Officers

FROM: Edward O. Gould, Ed.D.
Vice Chancellor for Student Services and Special Programs

SUBJECT: Use of Categorical Program Funds for Administrative Fees
and Indirect Costs

Synopsis:

The question has been raised whether funds from student services categorical programs designed to serve targeted populations of students can be utilized to pay for administrative fees and indirect costs incurred by a district or college. The State allocates categorical program funds specifically to supplement existing institutional resources to enhance access by targeted populations to postsecondary educational opportunities. Categorical funds for special programs, specifically CalWORKs (California Work Opportunities and Responsibility to Kids), CARE (Cooperative Agencies Resources for Education), DSP&S (Disabled Students Programs and Services), and EOPS (Extended Opportunity Programs and Services), are allocated to districts to support the enrollment, persistence, retention, graduation and transfer rates of designated student populations in the community colleges.

We have reviewed all pertinent codes, regulations and guidelines related to this issue. It is the opinion of the Chancellor's Office that the expenditure of CalWORKs, CARE, DSP&S and EOPS funds for administrative fees and indirect costs, even when related to the specific program, represents an inappropriate use of state categorical program funds. Administrative fees and indirect costs which would be considered to be unallowable include, but are not limited to, the following:

- College administrative support costs, such as staff or other expenditures for the business, personnel, accounting, or reproduction offices;
- Indirect costs, e.g. heat, power, or janitorial services;
- Books or other resource materials for the main campus library or learning center;
- Travel for other than categorical program staff and/or for activities not directly related to the categorical program

Below, we have provided you with the citations for the appropriate regulations and guidelines that address the disallowance of categorical program spending for administrative fees and indirect costs. In addition, the information is provided as an attachment to this document.

CalWORKs: Program Advisory #2, October 28, 1997, page 3 (Coordination)

CARE: CARE Program Guidelines, page 10 (Program Expenditures) and
CARE Auditing Guidelines (Budget and Expenditures)

DSP&S: Title 5 regulations, Section 56068

EOPS: Title 5 regulations, Section 56296

Action Requested / Date of Response:

Please review current practices related to this issue to ensure compliance with all categorical program codes, regulations and guidelines. If the district is currently engaged in budgeting categorical funds for institutional administrative fees or indirect costs, you must be advised that the practice should immediately cease. Furthermore, inappropriate expenditures from previous year(s)' and current budgets should be corrected, because they would constitute an audit exception under program regulations and guidelines. Any remaining balance of program funds as a result should be returned to the State as unspent funds.

Contact:

If you have questions, please feel free to contact the following program coordinators and/or staff for clarification:

CalWORKs: Judy Reichle (916) 324-2353 – jreichle@cccco.edu
CARE: Cheryl Fong (916) 323-5954 – cfong@cccco.edu
DSP&S: Scott Hamilton (916) 327-5892 – shamilto@cccco.edu
EOPS: Leonard Crawford (916) 323-5952 – lcrawfor@cccco.edu
or Kelly Gornik (916) 323- 4281 – kgornik@cccco.edu

EOG/CF

Attachments

cc: Thomas J. Nussbaum
Ralph Black
Superintendent/Presidents
Chief Business Officers
Chancellor's Office Student Services Deans
Chancellor's Office Student Services Coordinators

State Regulations and Guidelines Related To the Use of Categorical Program Funds For Administrative Fees and Indirect Costs

CalWORKs Program Advisory #2, October 28, 1997, page 3 (Coordination), states:

CalWORKs funding cannot be used to supplant existing staffing at the colleges and the intent of the funding is to provide direct services to CalWORKs students. If additional staffing is needed for case management, coordination, job development/job placement to provide services to CalWORKs students, then the funds can appropriately be used for this purpose.

CARE Program Guidelines, page 10, state:

CARE funds shall not be provided for personnel, employee benefits, activities and programs which are clearly not CARE-specific as delineated in the California Community Colleges Contracted District Audit manual (Rev. June 1996), including, but not limited to, the following expenses:

- a. Administrative salaries and support costs*
- b. Indirect costs (e.g., heat, light, power, janitorial services and district-associated costs)*
- c. Staff travel and conference expenses for personnel whose employed time and responsibility is not within the CARE program*
- d. Recreational or entertainment functions*
- e. Contract services provided by external consultants*
- f. Purchase, exchange and/or replacement, rental and/or lease purchase agreement, or maintenance of equipment*
- g. Gifts of public funds are strictly prohibited*

Exceptions to the above expenditure provisions may be authorized by the Chancellor's Office with sufficient justification.

CARE Auditing Guidelines (Budget and Expenditures) state:

Administrative salaries and support costs (Object Codes 1000(A), 2000(A) and 5000(A) are not allowable expenditures.

Indirect costs, e.g., heat, light, power, janitorial support and district-associated costs (Object Code 5000(A), are not allowable expenditures.

DSP&S, Title 5 regulations, Section 56068 (Indirect Administrative Costs), state:

As used in Section 56064, the term "indirect administrative costs" means any administrative overhead or operational cost, including but not limited to, the following:

- (a) college administrative support costs, such as staff of the college business office, bookstore, reproduction center, etc.;*
- (b) administrative salaries and benefits, with the exception of the DSPS Coordinator;*
- (c) indirect costs, such as heat, light, power, telephone, fax, gasoline, and janitorial;*
- (d) costs of construction, except for removal or modification of minor architectural barriers;*
- (e) staff travel costs for other than DSPS-related activities or functions;*
- (f) costs of on- and off-campus space and plant maintenance;*
- (g) the cost of office furniture (e.g., desks, bookcases, filing cabinets, etc.);*
- (h) costs of dues or memberships for DSPS staff;*
- (i) rent of off-campus space;*
- (j) costs for legal matters, election campaigns, or audit expenses;*
- (k) building costs, even if the new building were for exclusive use of DSPS;*
- (l) books or other resource material purchases for the general or main library; or*
- (m) equipment which is not, in whole or part, adapted for use by students with disabilities.*

Note: Authority cited: Sections 67312, 70901 and 84850, Education Code. Reference: Sections 67310-12 and 84850, Education Code.

EOPS, Title 5 regulations, Section 56296 (Expenditures Not Allowed), state:

EOPS funds shall not be expended for the following:

- (a) college administrative support costs (e.g., staff of the business office, bookstore, reproduction, staff at the dean salary level and above).*
- (b) indirect costs (e.g., heat, lights, power, janitorial service).*
- (c) political or professional association dues and/or contributions.*
- (d) costs of furniture (chairs, desks, coat hangers, etc.)*
- (e) costs of construction, remodeling, renovation, or vehicles.*
- (f) travel costs other than travel costs of EOPS staff and students for EOPS activities or functions.*

Except for items (a) through (c) above, waivers may be approved by the Chancellor on a case-by-case basis.

Note: Authority cited: Sections 69648, 69648.7 and 71020 Education Code. Reference: Sections 69640 through 69655 Education Code.