

50% Law

ACBO Fall Conference

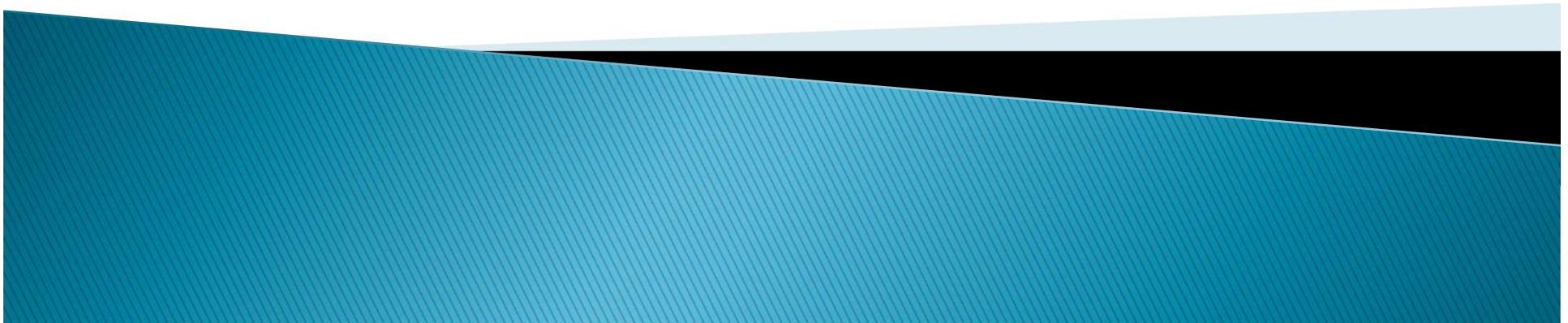
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50% Law – What Applies

- ▶ Education Code Section 84362
- ▶ California Code of Regulations 59204
- ▶ Contracted District Audit Manual



50% Law – What it Means

- ▶ EC 84362(d) states:
 - *“there shall be expended during each fiscal year for payment of salaries of classroom instructors by a community college district, 50 percent of the district’s current expense of education.”*



50% Law – Current Expense of Education (Inclusions)

- ▶ EC 84362(c) defines Current Expense of Education as:
 - *the gross total expended for the purposes classified in the final budget...*
 - *Academic salaries*
 - *Classified salaries*
 - *Employee benefits*
 - *Books, supplies and equipment replacement*
 - *Contracted services and other operating expenses*



50% Law – Current Expense of Education (Exclusions)

- ▶ EC 84362(c) excludes from Current Expense of Education:
 - *Salaries, benefits, books, supplies, equipment replacement contracted services and other operating expenses for Student Transportation, Food Services and Community Services*
 - *Sites, Buildings, Books and Media, and New Equipment (object of expenditure 6000 in BAM)*
 - *Amount expended from categorical aid received from the federal or state government*
 - *Expenditures for facility acquisition and construction*



50% Law – Current Expense of Education (Exclusions) – continued

- *Lease agreements for plant and equipment*
- *Amount expended from funds received from the federal government pursuant to the “Economic Opportunity Act of 1964”*
- *Amount expended from state or federal funds received for grants to community college students or for the employment of community college students*
 - For example – Federal Work Study



50% Law – Current Expense of Education (further defined)

- ▶ Title 5, Section 59204 defines Current Expense of Education as:
 - *Shall include Object of Expenditures 1000 through 5000 for activity codes 0100 through 6700 as defined in the BAM less expenditures for activity code 64xx (Student Transportation) and less expenditures of:*
 - *Categorical aid received from the federal and state government requiring expenditure in a program not incurring any instructor salary expenditures*
 - *Categorical aid received from the federal and state government requiring disbursement of funds without regard to the requirement of Section 84362*



50% Law – Current Expense of Education (further defined) – continued

- *Funds for lease agreements for plant and equipment*
- *Funds received from the federal or state government pursuant to the “Economic Opportunity Act of 1964”*
- *State or federal funds received for grants to community college students or for the employment of community college students; and*
- *Other monies received which are restricted by an external party, law or other legal requirement*



50% Law – Contracted District Audit Manual (CDAM)

- ▶ CDAM Background 421.01(3.a.) states:
 - *Inclusion in Current Expense of Education:*
 - *a. Local match for categorical programs except those expenditures appropriately reflected in other funds.*



50% Law – Contracted District Audit Manual (CDAM) – continued

► CDAM Suggested Audit Procedures 421.04 (8) states:

- *Determine whether local matching funds for the above categorical programs/projects have been included in the General Fund's Unrestricted subfund and are thus included in CEE. Items properly excluded from the General Fund Unrestricted subfund include but are not limited to capital outlay items properly accounted for in the Capital Outlay Projects Fund, financial aid payments made in the Financial Aid Fund, and child development activities properly accounted for in the Child Development Fund.*
- *The “above” categorical programs are: DSPS, EOPS, College Work Study, VTEA, WIA, etc.*

50% Law – Things to consider

Disclaimer – make sure you read the BAM carefully and that you comply with it

- ▶ Charge Unrestricted Lottery funds to non-instructional expenses, such as:
 - Utilities
 - Insurance
- ▶ Charge TRANS Interest and Costs to Activity 7220
- ▶ Charge a portion of Facilities management, IT management, VP, etc. to Activity Code 7100



50% Law – Things to consider – continued

- ▶ Report Instructional Service Agreements as instructional costs
 - Make sure that your contracts support the percentage charged as instructional
- ▶ Charge Interpreters to Object Code 22xx or 24xx and Activity Code 49xx
- ▶ Charge Library database access to Object Code 63xx
- ▶ Charge Software purchases and ongoing license agreements to 64xx if the useful life is in excess of one year

50% Law – Things to consider –

continued

- ▶ Charge appropriate Parking personnel salaries and benefits and maintenance costs to Activity Code 6950 – Parking
- ▶ Charge appropriate percentage of personnel salaries and benefits and supplies, etc. to Activity Code 6960 – Student and Co-Curricular Activities such as:
 - Grounds/Maintenance staff and supplies for athletic fields
 - College Newspaper staff or supplies
 - Intercollegiate and/or Club staff and activities
 - Athletic Directors, if appropriate

50% Law – Things to consider –

continued

- ▶ Charge the portion of time Counselors and Librarians teach a class to Object Code 11xx or 13xx
 - Make sure the benefits gets charged to instructional as well
- ▶ Charge appropriate percentage of time spent by management and custodial personnel and proportion of supplies to appropriate funds, such as:
 - Bookstore – Activity Code 6910
 - Child Care Centers – Activity Code 6920
 - Food Service – Activity Code 6940

50% Law – Things to consider – continued

- ▶ Charge appropriate percentage of time spent by President, VPs, etc. to Activity Code 6840 – Economic Development for the time spent with the business community
- ▶ Make sure all capital improvement projects in excess of \$5,000 are charged to the Capital Projects Fund
- ▶ Review reassigned time carefully
 - Can it be done via stipends above contract for less cost?



50% Law – Things to consider – continued

- ▶ Any refunds received should abate expenditures and not be considered revenue
- ▶ Bad debt expenses should be coded to a contra-revenue account and not an expenditure
 - Remember to reflect gross revenues on CCFS-324 report and not the net from the contra-revenue account
- ▶ Charge a portion of student accident insurance to Athletics – Activity Code 6960



50% Law – Things to consider – continued

- ▶ Only charge items to Equipment Replacement when it meets the following guideline:
 - *Expenditures for the identical replacement of equipment (necessitated by normal use) on a piece-for-piece basis to perform the same function(s).*
 - *If it differs in capacity, function, or quality, it should be charged to New Equipment*
- ▶ Make sure instructional aide job specifications indicate that they are under the direct supervision of the classroom instructor



50% Law – Things to consider – continued

- ▶ If you rent out facilities, make sure that the custodial and/or utilities are separated out so you can abate those expenditures
- ▶ Charge the appropriate percentage of Compensated Absences liability to the instructional salaries and benefits
- ▶ Charge purchases for students to Object Code 76xx and Activity Code 7320 for items such as:
 - Bus Passes
 - Bookstore and/or Child Care Vouchers

50% Law – Things to consider – continued

- ▶ Indirect Costs – debit the expense in the Restricted General Fund and credit the expense in the Unrestricted General Fund
- ▶ Charge the appropriate portion of your audit fees to your various funds and/or grants
- ▶ If you have a Bursar Fund for fee collections, charge the bank card fees to this fund

**Disclaimer – make sure you read the BAM
carefully and that you comply with it**



50% Law – Did we miss anything?

- ▶ Questions
- ▶ Comments
- ▶ Suggestions

