

# California Community Colleges Chancellor's Office

## Q&A Concerning Compliance with California Code of Regulations, Title 5 Section 58051.5

### Question:

What does the term "direct education costs" refer to as it relates to compliance with California Code of Regulations, Title 5 Section 58051.5(a)(1)?

[In part, Title 5 Section 58051.5(a)(1) indicates that "no community college district may claim for purposes of state apportionment any classes...if the district receives full compensation for direct education costs for the class from any public or private agency, individual or group of individuals..."]

### Answer:

The *California Community Colleges Budget and Accounting Manual (BAM)* provides the following definitions for "Direct Expenses or Costs" and "Indirect Expenses or Costs" (Appendix A, Common Terminology):

**Direct Expenses or Costs:** Expenses specifically traceable to specific goods, services, activities, programs, functions, units, or departments.

**Indirect Expenses or Costs:** Those elements of cost necessary in the production of a good or service which are not directly traceable to the product or service. Usually these costs relate to objects of expenditure that do not become an integral part of the finished product or service, such as rent, heat, light, supplies, management and supervision.

The BAM also provides the following concerning the "direct costs of classroom instruction" (**Chapter 4, Classification of Expenditures by Activity, page 4-4**):

Expenditures incurred for instructional activities are classified by controlling accounts (CA) 0100 through 5900 as shown above. The direct costs of classroom instruction are recorded by discipline within Activities 0100 through 4900. Costs of instruction include expenses incurred in offering credit and noncredit courses approved, either individually or as a part of some larger program, by the Chancellor's Office. Also included are the salaries, benefits, and related expenses of those coordinators, supervisors, departmental chairpersons and their support staff whose duties are directly related to specific instructional activities.

Considering the above BAM differentiation between “direct” and “indirect” expenses or costs and other guidance concerning “the direct costs of classroom instruction,” it has been determined by the Chancellor's Office that the term “direct education cost” as referenced in Title 5 Section 58051.5 is inclusive of all expenses specifically traceable to a class, such as the salaries and benefits of the instructor, instructional assistants or aides, and non-instructional staff directly supporting the class (e.g., proctors); instructional materials and supplies and equipment, along with any other direct expense or cost required for the particular class in question (“direct education costs” would not include “indirect expenses or costs” as defined above). Because of this determination, if a district receives funding for a class from any “public or private agency, individual or group of individuals” that amounts to no more than the salary and benefits of the designated class instructor and can document other “direct education costs” for that class paid from general fund unrestricted resources, it can have certainty that it has not received “full compensation” for the “direct education costs” of the class and would thus not be prohibited from claiming state apportionment for the class as long as all other applicable conditions for claiming attendance are met, including as prescribed by Title 5 Section 58050. In instances where there are no other “direct education costs” for a class and the district pays for a portion of the instructor’s salary and/or benefits from general fund unrestricted resources, then it would also not be prohibited from claiming state apportionment for that class as long as all other applicable requirements for doing so are met as previously noted. **In developing local policies and procedures related to compliance with the full compensation provisions of Title 5 Section 58051.5, it is advised that districts utilize a prudent approach in determining what portion of the direct education costs of the class will be paid from general fund unrestricted resources.**

Related to the above, please note that Title 5 Section 58051.5(a)(2) also prohibits a district from claiming apportionment for a class “if the public or private agency, individual or group of individuals, with whom the district has a contract and/or instructional agreement, has received from other sources full compensation for the direct education costs for the conduct of the class.” So, it’s not enough for the district to pay a certain portion of the cost to conduct a class, apportionment eligibility is also dependent on that separate entity that the district is partnering with not being fully funded by some other entity for the conduct of the class. It is a dual test of full funding status—that of the district and that of the partner entity or entities. For additional guidance concerning instructional services agreements and apportionment eligibility, please refer to the [“Instructional Services Agreement Guidelines for Community College Districts and Public Agencies.”](#)

As it relates to the above guidance, the term “class” has the same meaning as course section.

College Finance and Facilities Planning Division  
January 10, 2017