Administration of Credit-by-Contract Partnerships for Graduate Courses

No. 6363

Policy Effective Date:
12/13/2007

Last Revision Date:
12/5/2023

Policy Owner:
Simon Allen

Policy Author:
(Contact Person)
Nancy Meacham

Affected Parties:
Faculty
Staff

1.0 Purpose

Credit-by-contract partnerships (see Section 4. Definitions) provide access to for-credit, graduate-level instruction in specific employment-related programs to students employed at sponsoring organizations who are interested in pursuing a graduate degree. These agreements expand the accessibility of established offerings to cohorts of professional students who are currently in the workforce. These credit-by-contract opportunities build relationships with corporations and public entities that may lead to new and mutually beneficial research activities, continuing professional education, or other collaborative initiatives.

This administrative policy and procedure defines the university's approach to credit-by-contract in terms of design, development, and delivery. It identifies administrative roles and responsibilities, ensures the appropriate planning and management of revenue and costs, coordinates with established academic procedures, and ensures program relevance.

This policy also defines the framework necessary to enter into a credit-by-contract arrangement that ensures the university's best interest.

2.0 Policy

Oversight and management of credit-by-contract will be the responsibility of the university's Continuing and Professional Education (CPE) organization within Outreach and International Affairs. Proposals to deliver credit-by-contract should be developed by an academic department, in conjunction with the appropriate faculty and staff in CPE, and approved according to the guidelines outlined in this policy. The criteria for approval of credit-by-contract partnerships will include: (a) the potential for the relationship to contribute positively to the institution's teaching, research, or outreach missions, (b) establishment of a viable business plan, (c) the anticipated impact of the relationship on university long-term enrollment.

The oversight and management by CPE will include the responsibility for ensuring compliance with federal cost accounting regulations such as Title II CFR – Chapter Two – Part 200 ("Uniform Guidance") for any contracts where the contracting entity is a federal agency or any other entity using federal or federal flow-through funding. Such regulations must be followed both in the development of the budgets for these courses as well as the amounts actually charged in the accounting system to the project established to account for the revenues and expenses related to the course.

The price of a contract course will be established in accordance with the Chapter 5, § 23.1 of the Code of Virginia, § 4-2.01b of the Act of Appropriations, and university policy.

Credit-by-contract pricing must cover all direct and facilities and administrative (F&A) costs of the course(s) and its administration. Additional details regarding contract pricing are found in Section 3.3 of this policy.

Credit-by-contract agreements will not compete with or replace existing programs offered to traditional student populations – a credit-by-contract opportunity will target employees of a sponsoring organization who might not otherwise enroll in the proposed course or courses.

The sponsoring organization contracting with the university should be an external organization or entity and cannot be a subsidiary or related corporation of the university or any organization subject to university control or influence.

3.0 Procedures

3.1 Proposal

Prior to negotiations with a sponsoring organization, an academic unit will coordinate with CPE for assistance in developing a contract course proposal and budget plan. The credit-by-contract proposal will include at least the following four elements:

- A statement describing the proposed arrangement and its benefits to the offering academic unit and the sponsoring organization;
- A comprehensive proposal completed by the academic department(s), which clearly identifies the program of study, concentrations, or specific graduate courses that will be available through the contract. The proposal should also include the contracting entity and the source of funds from the contracting entity (federal / federal flow-through or non-federal);
- A business plan/budget, using CPE's contract-credit budget form; and
- Signature approval by the appropriate departmental and college administrators, the Director of CPE, the Vice President of Outreach and International Affairs, and Graduate School as defined in Section 3.9, Review and Approval.

3.2 Business Plan

The requesting unit must develop a business plan prior to offering the program and should work with CPE to develop this plan. At a minimum, the business plan must include the proposal, projected enrollments, an estimate of revenue, all direct and F&A costs, and a projection of surplus (planned surpluses are only allowable for non-federal credit-by-contract partnerships). Continuing and Professional Education will assist the requesting unit with developing the financial model.

3.2.1 Revenue

The revenue generated by a contract course must cover all direct and F&A costs of providing the course. Revenue budgets should consider attrition and minimum and maximum enrollments feasible for the course. Pricing of the contract course should be based on a realistic estimate of the number of students, the format, length, complexity of the course, location, market, and university benefit. Multi-year contracts should include price increases based on estimates of tuition increases that are not less than Office of Sponsored Programs (OSP) projected escalation rates. These contracts should also stipulate that actual per student revenue must comply with Section 3.3, Contract Pricing Basis.

3.2.2 Cost Administration for Contracts

3.2.2.1 Direct Costs

Direct costs may include the appropriate costs of instruction, advising, travel, materials, and other applicable costs, including escalation as necessary. (Generally, federal regulations prohibit faculty overload pay as an allowable charge on federally funded or federal flow-through funded contract courses). Program development faculty salaries may be included in the direct costs of federally funded credit-by-contract partnerships if specifically related to the course development and supporting documentation is maintained. Administrative costs, including salary costs of personnel performing administrative functions (registrars, administrative assistants, accountants, etc.), are normally treated as F&A costs. Direct charging of these costs is only allowable as described in Section 3.1 Administrative/Clerical Salary Support Integral to a Project in Policy 3240, Costing Principles for Sponsored Projects.

3.2.2.2 F&A Costs

- The federally negotiated F&A cost rate for off-campus/online instruction will be applied to all qualifying direct expenditures for the contract course. F&A cost recoveries may not be waived without the approval of both the Associate Vice President for Finance and University Controller and Vice President for Outreach and International Affairs and may only occur to the extent permitted by Virginia state law and university policy. Additional administrative costs or percentages cannot be included in the budgets or in the actual costs of courses funded by federal or federal flow-through funds.
- F&A costs (overhead) will be assessed in the same automated manner as other grants and contracts.
- F&A cost recoveries will be distributed in accordance with a contract course overhead distribution formula as approved by the Vice President for Finance and the Vice President for Outreach and International Affairs.

3.2.2.3 Fees

For non-federal contracts, pricing structure may vary, however, course fees must not be less than those charged to federal clients.

3.2.3 Surplus (Deficit)

As stated in Section 3.2.1, the budget plan for the contract must cover all direct and F&A costs of providing the course(s). Contracts must be closed within 90 days of delivery. In the event of a revenue variance, the budget plan should clearly stipulate how the academic unit proposes to address any potential deficit for each contract course. Deficits will be the responsibility of the sponsoring college or department. The university will not share in deficits unless formally approved in advance. Surpluses will be distributed one-third to the college, one-third to Continuing and Professional Education, and one-third to the university. Federal regulations require consistent accounting and stipulate that all budgets be based on estimated costs; thus, detailed budget and careful planning is necessary to avoid the possibility of a large surplus for courses funded by federal or federal flow-through funds.

3.3 Contract Pricing Basis

The contract price on a per student basis must be at least equal to or greater than the tuition and fees that similar classifications (in-state/out-of-state) of regular university students pay. This minimum includes tuition and mandatory E&G fees (currently this includes the library fee, the technology fee, and special program fees (such as the engineering fee) and the commonwealth facility and equipment fee for nonresidents. The determination of the in-state or out-of-state costing classification may include such factors as the work location of the student receiving the instruction if the employer is funding the contract. Requests for contracts priced at rates lower than the corresponding tuition rate must be approved by the Vice President for Finance in advance. Provisions for pricing below current regular university rates include:

- VIRGINIA EMPLOYERS – Virginia employers may contract with the university for course rates that are at or above the in-state tuition rate for an employee group.
- DISCOUNTS – Teacher discounts and other discounts as approved by the University's Board of Visitors may be passed on to appropriate organizations or agencies on a contract-by-contract basis.
- COST SHARING – As a self-supporting activity, cost sharing is not appropriate. Tuition prices must cover the direct and indirect costs of delivering the contracted course(s).

3.4 Accounting

Each credit-by-contract partnership will be accounted for separately. The fund will be exclusively used for collections and payments related to the delivery of the program such as instructional salary, related fringe benefits, materials, travel, and F&A costs. Surpluses will be closed out to a separate fund. The Controller's Office has established a separate section in the university chart of accounts to record this activity.

3.5 Administration

Credit-by-contract partnerships will be administered through Continuing and Professional Education. Continuing and Professional Education will establish funds, enter budgets, and provide coordination with other university offices and officials, and conduct contract administration activities in a manner consistent with other contracts. Accordingly, it is the responsibility of Continuing and Professional Education to ensure full compliance with all federal, state, and university regulations regarding these activities.

3.6 Payment

Contracts should include the following conditions regarding payments by the sponsoring organization:

- The sponsoring organization is responsible for the total cost of the course. If the sponsoring organization elects to have students pay for a portion of the contract amount, it is the sponsoring organization's responsibility to collect the payment from the participants and to remit payment in full to CPE.
- The invoicing and payment process for any federal letter of credit drawdowns will be coordinated by CPE.

3.7 Course Assessments

The offering academic unit is responsible for ensuring that a course assessment is completed for each section taught under the credit-by-contract agreement. The Dean for Graduate Education certifies by his/her signature that the assessment plan for the course meets Graduate School guidelines.

3.8 Review and Approval

Once the academic unit and CPE agree that the credit-by-contract proposal is complete and financially feasible, a department seeking to enter into a credit-by-contract agreement must obtain the following approvals prior to negotiating with a sponsoring organization:

- The Director of CPE
- The Department Head and College Dean
- The Dean for Graduate Education
- The Vice President for Outreach and International Affairs

All contracts must be approved by a university contract officer in accordance with Policy 3015, University Contract Signature Policy and Procedures and University Legal Counsel.

3.9 Coordination of Enrollments

The academic unit and the contract administrator will develop and maintain an accurate listing of the students enrolled, within the contracted limits, in the course. CPE will provide this information to the Graduate School and the Bursar's Office in a timely manner. Since the sponsoring organization will fund all costs of the course, individual students will be billed showing the tuition and fee charges assessed with an offsetting credit for the costs associated with the courses covered under the contract. The Bursar's Office will record the offset to individual students' accounts in the tuition offset fund identified for contract courses after notification from CPE that the student is enrolled in a fully funded contract course. Credit-by-contract students will be admitted as extended campus students or into a specific degree program, if applicable, and will be enrolled and assigned a student identification number by the Graduate School. If credit-by-contract students are not enrolled as part of a cohort, CPE will provide student roster to the Bursar's Office, Graduate School, and Registrar's Office so that appropriate tracking mechanisms (i.e. attributes) are assigned to each student.

3.10 Planning and Reporting

Annually, Continuing and Professional Education will provide an estimate of projected activity (February timeframe) and a summary of the actual prior year contract courses activities and enrollments (end of fiscal year) to the Office of Budget and Financial Planning and the Office of Institutional Research to assist with the university's enrollment planning processes.

4.0 Definitions

CREDIT-BY-CONTRACT are contractual agreements between Virginia Tech and a sponsoring organization to deliver a for-credit (degree or certificate) graduate course for the sponsoring organization's employees, associates, members, or teachers. The sponsoring organization and the academic department mutually agree on the course, delivery format, location, timeframe, and cost within certain parameters. These courses may include dedicated cohort courses as well as existing courses.

FACILITIES AND ADMINISTRATIVE COSTS generally support costs that cannot be identified readily and specifically such as departmental clerical salaries, utility costs, custodial expenses, etc. F&A costs are known by many different names, such as "indirect costs," "overhead costs" or simply "administrative costs."

SPONSORING ORGANIZATION is an agency, company, or federal installation that seeks to contract with the university to obtain for-credit instructional services for its employees or others associated with the organization.

5.0 References

2 CFR Part 200 Subpart E Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-E

Code of Virginia, Chapter 5, § 23.1
https://law.lis.virginia.gov/vacode/title23.1/chapter5/

2010 Virginia Act of Appropriations, Chapter 874, §4-2.01b Higher Education Tuition and Fees
https://budget.lis.virginia.gov/item/2010/1/HB30/Chapter/4/4-2.01/

Policy 3240, Costing Principles for Sponsored Projects
https://policies.vt.edu/3240.pdf

Policy 3015, University Contract Signature Policy and Procedures
https://policies.vt.edu/3015.pdf

2019 Virginia Acts of Assembly, Chapter 854 §4-2.03 Indirect Costs
https://budget.lis.virginia.gov/item/2019/1/HB1700/Chapter/4/4-2.03/

6.0 Approval and Revisions

Approved December 13, 2007 by Vice President for Budget and Financial Management, M. Dwight Shelton, Jr.

- Revision 1
  April 1, 2008: Updates to position titles and/or responsibilities due to university reorganization.

- Revision 2
  The policy underwent a substantial revision including:
  - Updated the title from "Administration of Contract Courses" to "Administration of Credit-by-Contract Partnerships for Graduate Courses"
  - Reordered the sections of the policy
  - Updated section 3.1, "Proposal" to align with the new proposal process
  - Established a deadline for closing contracts, as indicated in section 3.2.3
  - Deleted the "Location" section from the previous version of the policy
  - Updated titles, links, definitions, and references

  Approved December 5, 2023 by Vice President for Finance and University Treasurer, Kenneth E. Miller.