Subject: Administration of Contract Courses

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1. Purpose

Contract courses (see Section 4. Definitions) provide access to for-credit instruction to students and organizations beyond what is available in degree cohorts on-campus or at extended campus sites. They do not compete with established offerings, but increase the portfolio of educational opportunities. Contract courses build relationships with corporations, and public entities that may lead to new and mutually beneficial research activities, continuing professional education, or other collaborative arrangements.

An administrative policy and procedure is needed to define an approach to contract course design, development, and delivery, identify administrative roles and responsibilities, ensure the appropriate planning and management of revenue and costs, coordinate with established academic procedures, and ensure program relevance and content.

This policy defines the framework necessary to operate contract courses in the university's best interest.

2. Policy

Oversight and management of contract courses will be the responsibility of the university's Outreach Program Development (OPD) organization within Outreach and International Affairs. Proposals to deliver contract courses should be developed by an academic department, in conjunction with the appropriate faculty and staff in OPD, and approved according to the following guidelines. The criteria that will be applied in the approval will include: (a) the potential for the relationship to contribute positively to the institution's teaching, research, or outreach missions, (b) a business plan, (c) the anticipated impact of the relationship on university long-term enrollment.

The oversight and management by OPD will include the responsibility for ensuring compliance with federal cost accounting regulations such as OMB Circulars A-21 and A-110 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 Code of Virginia and university policy and must cover all direct and indirect costs of the course and its administration. The contract price on a per student basis must be at least equal or greater than the tuition and fees that similar classifications of regular university students (in-state/out of state) would pay.

Contract courses will not compete with or replace existing programs or student populations -- a contract course will not target a student population that might otherwise enroll in the proposed course or courses on the Blacksburg campus or one of the university's extended campuses.

The receiver of the course cannot be a subsidiary of the university or any organization subject to university control or influence.

3. Procedures

3.1 Proposal

Prior to negotiations with a sponsoring organization, an academic unit will coordinate with OPD for assistance in developing a contract course proposal and business plan. The contract course proposal will include at least 4 elements:

- A statement describing the proposed arrangement and its benefits for the offering academic unit and the sponsoring organization;
- A completed draft of the "Application for a Contract Course". The proposal should clearly identify the graduate course, the contracting entity, and the source of funds from the contracting entity (federal / federal flow-through or non-federal);
- A business plan with a budget, using the form "Estimated Business Plan, Contract Course"; and
- Signature approval by the appropriate departmental and college administrators, OPD, and Graduate School as defined in section 3.8, Final Review and Approval.

3.2 Business Plan

The requesting unit must develop a business plan in advance of offering the program on the "Estimated Business Plan, Contract Course Form". At a minimum, the business plan must include the proposal, projected enrollments, an estimate of revenue, all direct and indirect costs, and a projection of surplus (planned surpluses are only allowable for non-federal contract courses).

3.2.1 Revenue

The revenue generated by a contract must cover all direct and indirect costs of providing the course. Revenue budgets should consider attrition and minimum and maximum enrollments for which the course is feasible. Pricing of the contract 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, but 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 will include the appropriate costs of faculty time (identifying if this is a buyout or overload), fringe benefits (federally negotiated rates), travel, materials, and other specifically associated costs, including escalation as necessary. (Generally, federal regulations prohibit 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 contract course 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.), can not be directly charged to federally sponsored contract courses unless a determination of exceptional circumstances has been documented as described in University Policy 3240.

3.2.2.2 Indirect Costs

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

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)

The business plan should clearly stipulate how the academic unit proposes to address any potential deficit for each contract. Surpluses will be distributed 1/3 to the college, 1/3 to Outreach Program Development, and 1/3 to the university. The university will not share in deficits unless formally approved in advance. Deficits will be the responsibility of the sponsoring college or department. Since federal regulations require consistency in budgeting and accounting and that all budgets be based on estimated costs, care should be taken 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 or greater than the tuition and fees that similar classifications (in-state/out of state) of regular university students would pay. This minimum includes tuition and

mandatory E&G fees (currently this includes the academic fee and the technology fee and special program fees such as the engineering fee; this would not include the nonresident capital fee since the instructional activity is not occurring on-campus). The determination of the in 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 Chief Financial Officer in advance.

- 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 as appropriate on a contract-by-contract basis.
- COST SHARING – As a self-supporting activity, cost sharing is not appropriate.

3.4 Accounting

Each contract will be accounted for separately. As a contract, these funds will be established under the university's sponsored programs appropriation. 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 indirect costs. Surpluses will be closed out to a separate fund. The Controller's Office will establish a separate section in the university chart of accounts to record this activity.

3.5 Administration

Contract courses will be administered through the office of Outreach Program Development. Outreach Program Development will establish funds, enter budgets and provide coordination with other university offices and officials, and conduct pre-award and post-award contract activities in a manner consistent with other grants and contracts. Accordingly, it is the responsibility of Outreach Program Development to ensure full compliance with all federal, state, and university regulations in regards to these activities.

3.6 Payment

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

- The sponsoring organization is responsible for the total cost of the course. If the contractor 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 the contractor's responsibility to remit payment in full to OPD.
- The invoicing and payment process for any federal letter of credit drawdowns will be coordinated between OPD and OSP.

3.7 Location

Generally, contract courses should be conducted off-campus (not in a university facility). If space is available without displacing traditional courses and the cohort would not otherwise enroll in a VT course, extended campus sites may be used with advance approval of the Vice President for Outreach and International Affairs. In this case the on-campus indirect cost rate will be applied. Courses that incorporate an on-line instructional component must be developed in cooperation with the Institute for Distance and Distributed Learning.

3.8 Course Assessments

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

3.9 Review and Approval

Once the department and OPD agree that the proposal is complete and financially feasible, a department seeking to enter into a contract course agreement must obtain the following approvals prior to negotiating with a sponsor:

- The director of OPD
- The department head and college dean
- The Vice President and Dean for Graduate Education

All contracts must be approved by a university contract officer and University Legal Counsel.

3.10 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. OPD will provide this information to the Graduate School and the Bursar's Office in a timely manner. Since the contractor 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 contract course. The Bursar's Office will record the offset to individual student's accounts in the tuition offset fund identified for contract courses after notification from OPD that the student is enrolled in a fully funded contract course. Contract course students will be admitted as extended campus students and be enrolled and assigned a student identification number by the Graduate School upon receiving enrollment information from OPD.

3.11 Planning and Reporting

Annually Outreach Program Development 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 Budget Office and Institutional Research.

3.12 Close Out of Contract Course Funds

Contract courses will be closed out in a timely manner.

4. Definitions

Contract Courses – A contract course is a contractual agreement between Virginia Tech and a school district, agency, military base, or business organization to deliver a for-credit (degree or certificate) graduate course for the sponsoring agency's employees, associates, members, or teachers. The agency and the academic department mutually agree on the course, delivery format, location, timeframe, and cost within certain parameters. These courses are not available to open enrollment.

Sponsoring Agency – An organization, 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 agency.

5. References

1. Code of Virginia Section 23-7.4:2.G
2. University Policy 3015 University Contract Signature Policy and Procedures
3. University Policy 3240 Consistency in Charging Administrative and Clerical Costs
4. 2005 Virginia Acts of Assembly Chapter 951 §4-2.03 Indirect Costs

6. 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.