
ADMINISTRATIVE SERVICE CHARGE

Purpose:

To establish a mechanism for recovering costs associated with providing administrative and operations services to self-supporting units.

Scope:

Applies to self-supporting units with the exception of those that are primarily supported through sponsored projects.

Responsible Party:

Finance and Administration, 426-1200

Definitions:

Administrative Service Charge—a charge intended to recover costs incurred by infrastructure units to provide services.

Base—aggregate expenses used as the foundation to which the administrative service charge is applied.

Infrastructure Unit—a unit within one of the following programs: 1) Operation and Maintenance of Plant, 2) Institutional Support, or 3) Student Services.

Self-Supporting Unit—an entity on campus which is expected to cover all expenses with revenues generated by fees, charges, and sales of goods and/or services. Self-supporting units are defined or designated by the Vice President for Finance and Administration and include, but are not limited to, auxiliary units.

POLICY

I. Policy Statement

Appropriated funds are intended to finance administrative services for units that support the institution's core academic mission. While self-supporting units require administrative support, they are expected to finance administrative expenses with revenues generated by fees, charges and sales of good or services. The administrative service charge is intended to recover costs incurred by the infrastructure units providing these services to self-supporting units.

II. Calculation of Bases

A. Operating Expenses: Operating expenses are used as a basis for the administrative service charge. Because services provided by the infrastructure units are typically recorded on the ledger as operating expenses, such expenses are indicative of usage.

1. Items included as an operating expense:

- a. Personnel costs
- b. Services, supplies, insurance, utilities, and rent
- c. Scholarships and fellowships
- d. Depreciation
- e. Miscellaneous operating expenses

2. Items not included as an operating expense:

- a. Nonoperating expenses
- b. Costs of goods sold, where a formal inventory exists
- c. Debt service
- d. Capital expenses

3. Requests for Exception: Requests for a unique expense to be excluded from the calculation of a particular base must be submitted in writing to the department's division head for approval. Exception requests may also be submitted to the Vice President for Finance and Administration as appropriate. Approvals are for a particular base year only and will not carry into future years without subsequent consent.

B. Four-Year Average: A four-year average will be used as the base in which the administrative service charge is calculated. The use of the four-year average is intended to normalize extraordinary expenses in a single year. It includes the most recently closed and audited fiscal year in addition to the three previous fiscal years.

C. Accrual Basis: The base will be determined using an accrual method. Cash base transactions will be excluded

III. Administrative Service Charge Rate

The Vice President for Finance and Administration will make a recommendation to the President regarding the administrative service charge rate and the units to be charged. Once approved, the administrative service charge will be applied equally to all self-supporting units.

IV. Allocation of Administrative Service Charge Revenue

Revenue will be distributed to each division head in increments equivalent to the portion of the infrastructure unit base. Funds will be allocated within each division at the discretion of the division head.

V. Procedure

- A. Quarterly: The administrative service charge will be assessed quarterly and processed by journal entry initiation by Administrative Accounting.
- B. Annually: The Administrative Service Committee, which is comprised of representatives from various areas of the campus community, will review and challenge assumptions and submit changes in concept to the President's Office for approval. Administrative Accounting will calculate the new base and increase rates as approved.