

COMPTROLLER POLICYMANUAL

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	Section: 200 Departments
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	Responsible office: Comptroller
	Origination date: 01/01/2000
Subject: Administrative Overhead Fee Assessment	Effective date: 01/01/2000
	Revision date: 7/1/2018

PURPOSE

An overhead fee allows the university to recover part of the cost of providing institution-wide support services for those departments who use university resources. The overhead fee will be assessed on all departments of the university that generate income not subject to indirect cost recovery. Many, though not all, of the departments affected are self-supporting or auxiliary departments. Recent years have seen a significant growth in the number and type of revenues generated on university campuses by various departments. These revenues range from fees for sales and services to interest income and special event fees and many are directly for the benefit of and controlled by the departments. Non-tuition based revenues now comprise a significant portion of NAU's overall operating budget, but these added revenues also come at a price to the university. Revenues generated on campus use university resources (e.g. time, utilities, equipment and facilities) that are funded by central monies. As this independent revenue base has grown so has the demand on the university's central resources. In order to ensure that the associated overhead expenses for these revenues produced for departments does not unfairly erode available funding for other university initiatives and priorities it is important that we find an equitable method to recoup a portion of these associated expenses.

SOURCES

University policy

[Arizona Board of Regents Policy Manual](#)

CMP 206: Overhead Fee Assessment

Basing the overhead fee on revenue better reflects the use of university resources, facilitates planning for departments generating revenue, and avoids fluctuations that occur when a department has major, untypical expenditures.

Persons Affected:

It is anticipated that most departments will recover the fee by raising prices by an equivalent percent to their external customers. In that case, it is real revenue. For a variety of reasons, including market considerations, some departments may not be able to adjust their pricing. In these cases, departments will need to look for other cost-cutting measures in their budgets to accommodate the cost of the overhead fee.

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<p>The university will also review internal subsidies that auxiliaries and other departments are charged, and will, as feasible, remove subsidies that should be the responsibility of the university, not the department.</p> <p>Policy:</p> <p>In recognition of the need to recoup a portion of central expenses in an equitable method, the overhead assessment will be charged on all defined revenues (see below) generated by any department and will be implemented programmatically as revenues are recorded in the financial information system. These assessment resources will be held in university central accounts. The rate of assessment is currently at 15% for designated funds, 15% for auxiliary funds, and 30% for housing and dining (in fiscal year 2024). The rate will be re-evaluated annually to determine whether changes are needed.</p> <p>Definitions:</p> <p>Parameters for revenues subject to overhead assessment are outlined below.</p> <p><u>General Overview:</u></p> <ul style="list-style-type: none"> • Revenues subject to assessment are generally those funds accounted for in activities or operations that are intended to be primarily or partially self-supporting. These activities are classified as auxiliary business enterprise operations or designated operating activities. • Auxiliary enterprise operations are generally self-supporting business operations that exist primarily to furnish services to students, faculty and staff. Examples would be the Bookstore and Student Housing. • Designated operating activities account for self-sustaining activities related to the community, public service, non-university-based student, equipment, or other fees. Examples include conferences, workshops, non-instructional camps or seminars offered to general public, theater, athletics and music activities. <p><u>Revenue classes subject (generally) to overhead assessment:</u></p> <ul style="list-style-type: none"> • Investment Income- university investments and cash. • Sales & Service Revenue- revenues derived from business activities generally associated with Auxiliary departments and self-supporting activities. Examples include bookstore merchandise sales and student housing rent. • Other Fees and Revenue Sources. Examples include application fees, commissions, department fees, ticket sales, other miscellaneous revenues.

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<p><u>Revenue classes generally excluded in overhead assessment:</u></p> <ul style="list-style-type: none">• Student tuition and mandatory student fees• Non-profit-generating billings to other university departments• Internal transfers• Course and special program fees (ex. fees for study abroad)• Private funds raised by the Foundation <p>Procedures:</p> <p>The fee will be automatically deducted as revenue is accrued. The group of departments that will be assessed the overhead fee will be reviewed carefully, and in some cases revenue class and source codes will be changed to be consistent throughout the institution. The overhead fee should be budgeted.</p> <p>The fee is administered through the Budget Office.</p> <p>ABOR policy requires that university funds be deposited only to bank accounts authorized by the regents. This means that all deposits must flow through the Comptroller's Office. It is a violation of ABOR policy for any department to bypass the overhead fee assessment charge by depositing funds directly in an unauthorized bank account.</p>