

Subject: Auxiliary Enterprise, Service Center and Program Budgeted Overhead	Author: Susan Ingram
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Last Revision: August 7, 2009	Revised By: Susan Ingram
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Approved By: Office of the President	Page 1 of 2

Purpose:

Consistent with the approval of the FY 2009-10 Operating Budget, this document defines the policy and procedures for implementing a 5% administrative overhead recovery charge to self-supporting programs including Auxiliary Enterprises, Service Centers, and Program Budgeted across the University of Louisville.

Definition:

- Auxiliary Enterprises, Service Centers, and Program Budgeted are “stand-alone” business-like operations that generate both revenue and expenses associated with a specific, identifiable academic or support function. The operations are expected to be self-supporting, with increases in expenses being offset by concomitant increases in revenue. The operations of such self supporting programs typically provide specialized services, support and/or products for students, faculty, staff, and in some occasions, to the general public.

Policy:

- The University will begin assessing a 5% administrative overhead charge to all activities that are considered Auxiliary Enterprises, Service Centers, and Program Budgeted effective July 1, 2009.
- The purpose of the administrative overhead recovery charge is to partially offset central University expenses associated with administrative support of these programs, which historically are treated differently from most University programs in several respects (budgeting, accounting, purchasing, human resources, etc.).
- The assessment rate will be 5% of the gross expenditures of each affected program. This will be different only for programs with existing charge in place that is greater than 5%.
- For the purposes of this policy, departmental credits (charge backs) are excluded from the definition of expenses and thereby not included in the 5% calculation of the overhead recovery charge.
- This rate may change from year to year as approved by the Office of the President. The rates for subsequent years normally will be determined during the University’s annual budget development process and will be announced no later than March 15th so that budget managers may effectively plan for their future program operations.
- To comply with federal guidelines on grants and contracts, OMB Circular A-21, no federal grant or contract may be assessed the overhead expense recovery charge. In the

near term, Service Centers will establish separate rate schedules for federal grants and contracts excluding them from the 5% rate calculation for this overhead recovery charge.

Application:

- “Program Budgets” are identified in the University’s financial system as program types 1xxxx, 4xxxx, and Sxxxx. The Office Of Budget and Financial Planning will maintain and provide to the Controller’s Office a list of “Program Budgeted” programs subject to the overhead recovery charge.

Exclusions:

- Programs that require no administrative support from the University, such as Program Budgets that simply pass through funds for management accountability, are excluded from the administrative overhead charge. The Office of Budget and Financial Planning can provide additional information on the subject.

Procedures:

- The University Controller’s Office shall manage the application of the overhead recovery charge.
- The administration overhead expense will be assessed and charged on a monthly basis to each affected program based on the program’s actual expenses for the prior month. This will be an automated process that will be done during the month-end closing.
- The recovered charges will be posted to program 30509 (Program Budget Overhead Charge) using account code 577301 (UL Administrative Fee).
- Transactions using account codes 573XXX, 575XXX, federal grants and contracts and departmental credits are excluded from the administrative overhead charges.
- Unit and departmental Business Managers (UBMs) are responsible for monitoring overhead charges on a monthly basis to ensure that any problems can be addressed in a timely manner.
- The Office of Budget and Financial Planning will perform periodic reviews to verify that newly established programs are added to the overhead assessment schedule. These reviews normally take place during the development of the annual operating budget.
- Questions relating to the implementation of the overhead recover charge may be addressed directly to the Controller’s Office. Point of contact is Ms. Anne Rademaker.