

## **Information**

Administrative Overhead Fee

## **Effective**

July 1 2009

## **Number**

BFP 011

## **Applicability**

This policy applies to Deans Vice Presidents Center Directors Lead Fiscal Officers and Unit Business Managers

## **Administrative Authority**

Vice President for Finance and Chief Financial Officer

## **Responsible Unit**

Budget and Financial Planning

Grawemeyer Hall, Room LL20

S. Third Street

Louisville, KY 40208

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## **History**

Revision Date(s): July 7, 2016

Reviewed Date(s): August 31, 2011; July 7, 2016

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## **Categories**

## **Statement:**

The University assesses an administrative overhead charge to all activities that are considered Auxiliary Enterprises, Service Centers, and Program Budgeted. 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. This policy applies to all "Program Budgets" - 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.

## **Related Information:**

Federal Grants & Contracts - 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 rate calculation for this overhead recovery charge.

## **Reasoning:**

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.).

## **Definitions:**

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.

Departmental Credits - for the purposes of this policy, departmental credits (charge backs) are excluded from the definition of expenses and thereby not included in the calculation of 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.

## **Responsibilities:**

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 and that current programs are being charged correctly. 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 the Director of Accounting & Financial Reporting.