

University of California, Berkeley
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Administrative Full Costing

Responsible Executive: Vice Chancellor-Administration & Finance

Responsible Office: Campus Budget Office

Contact: Campus Budget Office for questions related to policy
administration: <http://budget.berkeley.edu>

Financial Accounting and Controls for questions related to
processing the assessment, gao@berkeley.edu

Policy Statement

The University of California, Berkeley will charge an administrative full costing fee on external funds received from the sales and services of educational activities, auxiliary enterprises, agency activities, service enterprises, and other operating revenue.

Scope of Policy

This policy affects all campus units that receive external revenue or may receive external revenue.

Why We Have This Policy

Administrative full costing is necessary to reimburse central campus departments for administrative costs (e.g. disbursements, police, cashiering, systems support, accounting services, etc.) incurred in support of external revenue-generating activities. The previous administrative full costing process was incomplete, inconsistent, and overly complex. It captured some, but not all, administrative costs of auxiliary units, self-supporting units, and agency activities. It failed to capture costs from a large number of other units, particularly units with multiple income streams, i.e. some from central funds and some from non-central sources. While research and gift activities are subject to an overhead charge to defray administrative and other costs, many of these other units receive external funds that don't fall into any of these categories.

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These units do not reimburse the campus for the added administrative load which results from this revenue.

This policy is aimed at implementing a simple process that will apply administrative full costing uniformly and fairly across the campus.

Procedures

Standard Procedure

Administrative full costing applies to all external funds received from the sales and services of educational activities, auxiliary enterprises, agency activities, service enterprises, and other operating revenues, including but not limited to revenue received from sales, services, media and marketing opportunities, fees to individuals, royalties, license fees, recharge revenue from outside sources, and rent. On a monthly basis, Financial Accounting & Controls processes an administrative assessment to the applicable contra revenue account equivalent to a percentage of revenue from external sources (see the Appendix for revenue sources subject to assessment) and credits an unrestricted Chancellor's fund. The amount received by the Chancellor is used to offset the central administration costs incurred in support of external revenue-generating activities.

Administrative full costing does not apply to tuition and student fees, appropriations, investment income, gifts, grants, and contracts. These sources of revenue are subject to an overhead charge or alternate appropriation process to defray administrative and other costs. A list of revenue sources subject to the assessment is included in the Appendix.

For cases where University regulations, state, federal, or other external legal restrictions prohibit the University from assessing the revenue source (e.g. under certain circumstances, bond indentures prohibit the assessment of an administrative fee on the revenue source), Financial Accounting & Controls will determine on a monthly basis a credit equal to the assessment made on the restricted revenue source during the month and credit that amount back to the unit involved.

Outside customers of campus recharge centers pay a surcharge, normally fifty percent, intended to cover the cost of campus overhead. Since all outside sales and service revenue is subject to the administrative full costing assessment, both the cost of services provided and the surcharge amount will be subject to the revenue assessment for outside customers.

Periodically, central campus administrative costs will be analyzed and the administrative full costing rate will be adjusted accordingly, subject to the Chancellor's approval.

Implementation Schedule

Effective fiscal year 2008-09, units receiving eligible external revenue were assessed at 4% of their eligible external revenue.

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Effective fiscal year 2009-10, units receiving eligible external revenue were assessed at 7% of their eligible external revenue.

Effective fiscal year 2015-16, units receiving eligible external revenue will be assessed at 9% of their eligible external revenue. This assessment rate will continue until amended.

Responsibilities

Campus units:

- Ensure all external revenue sources are recorded in the correct chart string. All external revenues are recorded in the 4XXXX range of BFS accounts except agency activities, which are recorded in 57360.
- For revenue sources subject to the assessment as described in the Appendix, advise the Campus Budget Office where University regulations, state, federal, or other external legal restrictions prohibit the University from assessing the unit's revenue source.

Financial Accounting and Controls:

On a monthly basis, processes an administrative assessment on all external revenue sources subject to administrative full costing and credits an unrestricted Chancellor's fund.

Web Site Address for This Policy

<http://campuspol.berkeley.edu/policies/adminfullcosting.pdf>

Glossary

Administrative Full Costing: a fee assessed on external revenue from the sales and services of educational activities, auxiliary enterprises, service enterprises, and other operating revenue and intended to reimburse central campus units for the additional workload they incur because of those external funds.

Agency Activities: financial activities for funds the University administers as a custodian or fiscal agent for non-University entities such as student, faculty, staff, governmental, and private organizations. The activities of these entities are usually closely associated with or even related to the activities of the University, and these entities directly or indirectly provide services or benefits to the University community.

Auxiliary Enterprise: a campus unit that provides non-instructional support in the form of goods and services to students, faculty, and staff upon payment of a fee at least equal to the full cost of providing the goods and services. Examples of auxiliary enterprises are housing operations, parking operations, and athletics.

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Campus Unit: a department, office, program, institute, center, project, or other academic or administrative entity that is part of the University of California, Berkeley.

Contra Revenue Account: an account to which reductions of gross revenue, including administrative full costing assessments, student financial aid allowances, and bad debt allowances, are recorded.

External Funds: money or any other type of revenue brought in from outside the University.

Recharge Unit: a campus unit that derives income by charging for the goods or services it furnishes to other campus units or by receiving incidental revenue from outside entities.

Revenue-Generating Activity: a sale or service provided by a campus unit to an external customer.

Self-Supporting Unit: a campus unit whose budget primarily consists of funds generated by the sale of goods, the provision of services, or donations, as opposed to state appropriations. An example of a self-supporting unit is University Health Services.

Related Documents and Policies

University of California Business & Finance Bulletin A-47, University Direct Costing Procedures: <http://policy.ucop.edu/doc/3420326/BFB-A-47>.

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Appendix: Revenue Sources Subject to Assessment

Account Range	Accounts Excluded	Description of Account Category
407xx	40708	University Extension Revenues
46xxx	46600, 46899, 46900, 46990	Sales and Services of Educational Activities
47xxx	47150, 47920, 47980, 47990	Sales and Services of Auxiliary Enterprises
480xx	48098	Other Sources – Sales and Services of Service Enterprises
481xx	48170, 48190, 48194	Other Sources – Other Operating Revenues
57360		Agency Cash Receipts