Background

University departments generate program revenue (PR) from many different sources, including internal and external customers. Although PR activities are considered self-sustaining, they benefit indirectly from university facilities and the administrative support of units funded largely through general program revenue. Because it is impractical to account separately for such support, the university recaptures these indirect costs through an overhead cost assessment (OCA) applied quarterly to PR accounts.

This policy deals with the adequate coverage of administrative support costs associated with supporting PR activities other than gifts, grants, and contracts. Funds from grants, gifts, and research projects are accounted for in the 133 and 144 appropriations and recovery of institutional support costs is covered by UW System Financial and Administrative Policy Paper G2, Extramural Support Administration.

Definition of Terms

Program Code: Expenditures are classified into activity codes as defined by the National Association of College and University Business Officers in the College and University Business Administration publication. Program codes used at UW-River Falls include Instruction, Research, Public Service, Academic Support, Student Services, Institutional Support, Physical Plant, Financial Aid, Farm Operations, and Auxiliary Enterprises.

Overhead Cost Assessment (OCA): Quarterly assessment on the program revenue generating departments to cover the indirect administration expenses associated with generating that external revenue.

General Purpose Revenue (GPR): General purpose revenues consist of general taxes, miscellaneous receipts and revenues collected by state agencies which are paid into a specific fund, lose their identity and are then available for appropriation by the legislature.

Program Revenue (PR): Term used to identify those accounts that are self-sustaining. These activities generate their own revenue through tuition, fees, user charges and sales.

Policy

It is the policy of the University of Wisconsin-River Falls to adequately cover administrative support costs associated with supporting program revenue activities through an overhead cost assessment. The funds collected will be administered by the Chancellor or designee and be generally allocated to administrative support activities thus reducing their need for GPR support.

Authority

The UW-River Falls Chancellor issues this policy in accordance with the Administrative Policy process.
The Assistant Chancellor for Business and Finance is responsible for the administration of this policy. Request an exception to this policy from the Administrative Policies web site (http://www.uwrf.edu/Administration/Policy/).

**Sanctions and Appeals Process**

Failure to adhere to the provisions of this policy may result in appropriate disciplinary action as provided under existing procedures applicable to students, faculty, and staff, and/or civil or criminal prosecution.

Appeals to the Controller’s decision can be directed to the Assistant Chancellor for Business and Finance. An appeal should be in memo form and clearly describe either how the policy does not apply to the activity or why a reduced overhead cost assessment rate should be applied to the activity.

**Procedure**

This policy will be applied to four main groups of activities usually accounted for in the 128, 131, 132, 136, or 189 appropriations.

1. **Auxiliary Operations**

The University of Wisconsin System subscribes to the definition of auxiliaries formulated by the National Association of College and University Business Officers (NACUBO) in the College and University Business Administration publication. NACUBO defines auxiliary enterprises as programs that “…furnish services directly or indirectly to students, faculty or staff and charge fees related to, but not necessarily equal to, the cost of services. Traditionally, these services have encompassed food services, student housing, and college stores.” For UW-River Falls, there are a designated group of auxiliary activities, all classified as Program Code (PC) 8.

Auxiliary Operations are charged for institution support costs in compliance with UW System Financial and Administrative Policy F42, Auxiliary Enterprises Support Services Chargebacks and thus are exempt from this overhead cost assessment.

2. **Segregated Fee Operations**

According to UW System Financial and Administrative Policy F50, Segregated University Fees, segregated fees are defined as”…charges, in addition to instructional fees, assessed to all students for student services, activities, programs and facilities that support the mission of University of Wisconsin System institutions.” At UW-River Falls, segregated fees are charged to support activities such as Student Health & Counseling, Athletics, Recreation, University Center, Student Organizations, and Municipal Services.

Segregated Fee operations are exempt from paying institution support costs by system policy (F50; F42).

3. **Other program revenue activities exempted from the overhead cost assessment.**

An activity which meets a criterion below is exempt from the overhead cost assessment.

(a) The activity is a subsidized educational experience, limited to activities where the primary purpose is provision of laboratory or practicum opportunity for students participating in a credit-bearing course.
of study. The learning experience provided to the student is the primary purpose, with the work provided by the students being a concurrent outcome of the method of instruction. A member of the faculty or academic staff is assigned as part of his or her regular academic responsibilities to serve as organizer, instructor and evaluator of the students’ work.

(or)

(b) The majority of the revenue generated by the activity is derived from charging other university departments for institutional services (i.e. fleet, postage, telephone), the activity is a clearing account for pass-through expenses, the activity is funded by an overhead cost assessment, or the activity is an institutional support function.

(or)

(c) The non-credit service is provided directly to UW-River Falls students whereby revenue is collected directly from the students.

(or)

(d) The activity constitutes fundraising by a student organization or student athletes where the effort involved in the fundraising is provided entirely by students, with little or no University employee involvement.

4. Program revenue activities subject to an overhead cost assessment.

Program revenue activities not covered above will be assessed for administrative support costs. The overhead cost assessment rate for these activities will be calculated annually at a rate adequate to cover administrative support costs incurred in generating external revenue. A change to the overhead cost assessment rate must be approved by the Chancellor or designee by January 1st. Currently two rates will be applied to gross revenue: one (18%) for those operations in buildings that are 100% GPR supported and one (10%) for those operations in 1) buildings that rely on PR funding to support some of the building’s base operating costs or 2) external facilities not owned by the University for which no GPR support is provided for the maintenance or use of the facility. Revenue generating activities in the Hudson Center, which is supported in part by PR funding, will be assessed at 18%. The overhead cost assessment will be applied to operations generating $20,000 or more in gross revenue in a single fiscal year and continues regardless of the level of future revenue.

Appendix A provides a listing of account activities and overhead cost assessment categorization.

University Responsibilities
The Controller is responsible to determine if an activity will be assessed overhead.

Contact
To direct questions about this policy, mailto: administrative-policy@uwrf.edu.
## APPENDIX A: LISTING OF ACCOUNT ACTIVITIES AND OVERHEAD COST ASSESSMENT CATEGORIZATION

### Exempt from Overhead Cost Assessment

<table>
<thead>
<tr>
<th>Reference</th>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Auxiliaries</td>
<td>Auxiliary activities include Residence Life, University Dining, Parking, and the Campus Card Office.</td>
</tr>
<tr>
<td>4.2</td>
<td>Segregated Fees</td>
<td>Segregated fee revenue classified in the 128 appropriation.</td>
</tr>
</tbody>
</table>
| 4.3 (a)   | Credit Bearing Educational Experiences | Educational experiences for students participating in a credit bearing course of study.  
Examples:  
Regular Tuition (non-PR academic programs)  
Special Course Fees (Online Technology Fees Not Exempted)  
Labs  
Scholarships  
Field Trips – Optional  
Study Abroad |
| 4.3 (b)   | Intracampus | Activity derived from charging other university departments for institutional services.  
Examples:  
Institutional Support (HR and Payroll, Purchasing and Materials Management, Institutional Research, etc.)  
Internal Service (Fleet Operations, Copy Center, Mail Services, etc.)  
Clearing Accounts (PY Refund Clearing, WHEG Clearing, MN Self Loan Clearing, etc.)  
Overhead Accounts (Centralized Services Fee Account, ACA Account, F&A Cost Account, etc.) |
| 4.3 (c)   | Revenue Direct from Students (Non-credit) | Non-credit service provided directly to students whereby revenue is collected directly from the students. This category includes a wide range of fees collected directly from students.  
Examples:  
Orientation Fees  
Application Fees  
Testing Fees  
Graduation Fees |

### Overhead Cost Assessment Applies

<table>
<thead>
<tr>
<th>Reference</th>
<th>Category</th>
<th>Description</th>
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</table>
| 4.4       | All Other Program Revenue | Program revenue generated from all other activities will be charged an administrative cost assessment.  
Examples:  
Full Cost Recovery Program Revenue (Service Based Pricing Academic Programs, Cost Recovery Academic Programs, Inter-Institutional Agreements, etc.)  
Online Technology Fees  
External Revenue (Camps, Conferences, Ticket Sales, Facilities Use, Client Services, etc.) |