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Cost Allocation / Reimbursement Plans for the CSU Operating Fund

Policy Objective

It is the policy of the California State University (University) that campus President's ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to CSU enterprise programs/ activities/funds, auxiliary organizations and entities external to the university are properly and consistently recovered with cash and/or a documented exchange of value. Allowable direct costs incurred by the CSU Operating Fund shall be recovered based on actual costs incurred. Allowable and allocable indirect costs shall be recovered according to a cost allocation/reimbursement plan that utilizes a documented methodology for identification of indirect costs and a basis for allocation.

Allocation/reimbursement of joint use costs to the CSU Operating Fund from an auxiliary organization or enterprise program/activity/fund is independent of whatever indirect costs (i.e. federal facilities and administrative costs) may be recovered from external grants and contracts.

The university Chief Financial Officer (CFO) or designee, shall annually approve and ensure implementation of a documented cost allocation/reimbursement plan.

Policy Statement

100 Principles

The CSU was created by the state, and appropriations from the state continue to be one of the sources of support for the university's educational mission. Auxiliary organizations and enterprise programs/activities/ fund sources provide supplemental services critical to the delivery of state supported programs, but which are not supported by the CSU Operating Fund. Auxiliary organizations are created to enable performance of certain business and educational functions that are common at institutions of postsecondary education, but cannot efficiently or effectively be accomplished by the state-supported university. Auxiliary organization and enterprise programs/activities/funds are conducted to support and further the educational objectives of the university. It is appropriate to recognize these interdependencies in the cost allocation/reimbursement plan.

The university's CFO is responsible for ensuring proper, consistent, and timely recovery of costs incurred by the CSU Operating Fund by annually preparing a documented cost allocation/reimbursement plan for the university. The annual approval and implementation of the plan should occur at a consistent time from year to year and the period should be stipulated in the plan. The CFO must ensure that all costs incurred by the CSU

Operating Fund for services, products, and facilities provided to auxiliary organizations, enterprise programs/ activities/fund sources or entities external to the university are properly and consistently recovered with cash and/or a documented fair exchange of value. This includes all costs for services, products, and facilities borne by the CSU Operating Fund on behalf of enterprise programs/activities/fund sources and auxiliary organizations. The CFO may consider the cost- benefit of deriving the costs to be allocated/ reimbursed.

101 Exchange of Value

There are some activities that are integral to supporting the core educational objectives of a university, but which are not fully funded through the CSU operating fund. In some cases. Operating Fund resources are used to support those efforts. Those efforts are recognized as providing either tangible or intangible value that ultimately inures to the overall benefit of the university and its educational mission even though the activity might reside in an auxiliary organization or enterprise program/activity/fund. Two of the more common examples of such activities are fundraising and externally sponsored research and grants. If a cost allocation/ reimbursement plan incorporates such exchanges of value they must be well documented and clearly articulate the benefit to the overall educational mission.

102 Services

The basis of allocation for a service e.g. cause, or driver, of the cost being allocated may vary as the university determines appropriate and reasonable. If a different allocation approach is used for the same operating fund service, the costs of the service should be allocated only once and any duplication eliminated.

103 Modifications

When appropriate and necessary, the university CFO should modify the existing cost allocation/reimbursement plan outside the annual cycle to recognize new costs or other changes in operations. Such modifications and/ or the new plan are to be clearly documented.

200 Definitions

201 Organizations/Entities/Activities

201.1 Alumni Association

Alumni associations are enterprises organized and operated in accordance with rules and policies adopted by the CSU Board of Trustees. (Title 5, Article 15).

201.2 Auxiliary Organization

An auxiliary organization is a separately organized, non-state entity that operates in compliance with the auxiliary organization policies of the CSU Board of Trustees, the terms of leases and operating agreements with the Trustees and policies established by the university. Examples of auxiliary organizations include philanthropic foundations, student body organizations, research foundations, student unions, bookstores, and other commercial services operated for the benefit of the university (Education Code sections 89900-89912 and Title 5 section 42500).

201.3 Enterprise Programs/Activities/Fund Sources

Enterprise programs/activities/fund sources include those that furnish facilities, goods or services to students, faculty, staff, or incidentally to the public. An enterprise typically charges a user fee, rent or other charge

directly related to, although not necessarily equal to, the cost of the facilities, goods or services. A distinguishing characteristic of an enterprise is that it is managed as essentially a self-supporting activity under the administration of the university. Enterprise fund activities are typically accounted for in designated CSU funds. Examples may include housing, parking, and continuing education.

201.4 Entities External to the University

Entities external to the University include organizations or programs which typically come from the surrounding community and operate independently of the university, but which may hold a function at a CSU campus.

201.5 Miscellaneous Activities

Miscellaneous activities include other self-supporting activities operated by the university in funds other than the CSU Operating Fund including, but not limited to: instructionally related activities; centers and institutes; and other university support organizations, such as a faculty clubs or athletic boosters.

202 Costs

202.1 Direct Costs

Direct costs are expenditures initially incurred by the CSU Operating Fund, which can be easily determined with a high degree of accuracy and without an inordinate amount of accounting, and recharged to another CSU enterprise program/activity/fund or auxiliary organization based upon the actual cost of the goods or services provided. Direct costs can be documented by a work order, charge-back system, and allocation or contract and are invoiced on some regular basis.

202.2 Indirect Costs

Indirect costs cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. These costs are those incurred for purposes common to some or all programs or activities, but which cannot be readily identified and charged directly to such programs or activities with a reasonable degree of accuracy and without an inordinate amount of accounting. Examples include executive oversight, accounting, grants management, and technology and facility overhead.

203 CSU Operating Fund

The CSU Operating Fund has been established to exclusively report revenues, expenses, and net assets related to state-supported instruction and related programs and operations.

300 Elements of a University Cost Allocation/ Reimbursement Plan

A university's cost allocation/reimbursement plan must articulate the practices and methodologies utilized in determining the basis for allocating costs. Due consideration must be given to the relative benefits received, the materiality of costs, and the amount of time and effort necessary to make such an allocation/reimbursement. The plan will also specifically identify direct and indirect costs requiring reimbursement. And, while there are different methodologies available for allocating costs that a university might use, the methodology used should result in a justifiable distribution of costs as determined by the campus CFO. Detailed documentation that demonstrates the factors that were taken into consideration in determining cost recovery are to be included as part of the plan.

Both direct and indirect costs should be considered in developing the cost allocation plan.

At a minimum, a plan would include a separate section addressing each of the following:

301 Identification of the alumni association, auxiliary organization, enterprise programs/activities/fund sources or entity external to the university.

302 Identification of the facilities, goods and/or services supported by the CSU Operating Fund that are provided to an alumni association, auxiliary organization, enterprise programs/activities/fund sources or entity external to the university.

303 Program or project-specific direct costs assignable to an enterprise program/activity/fund or auxiliary organization include, but are not limited to, faculty release time, technology and/or communication services, facility use, metered utilities, specifically required physical plant, public safety, insurance, and environmental health and safety services, if applicable.

304 The allocation of indirect costs is to be based on a process that is consistent with the principles of this policy, practicable and fact based relative to the activity and the related costs. The basis of allocation for a service may vary as the university determines appropriate and reasonable. A percentage, transaction cost, or pro-rata distribution may be applied to the applicable enterprise program/activity/fund or auxiliary organization workload measure. Campuses are to identify and justify the cost allocation/reimbursement methodology for each of the services that are allocable relative to the activity and the related costs, e.g. square footage, expenditures, etc. Examples of such costs include, but are not limited to, finance/business services, enrollment services, human resources, academic records, risk management, public safety, technology, mail services, and space, if applicable.

305 Identify and quantify in a manner consistent with the principles of this policy, practicable, fact based, and reasonable simple and reasonable allocation/reimbursement methodology, as determined by the campus CFO that is realistic relative to the activity and the related costs. Provide justification for the choices that deviate from the university's standard methodology.

306 Identify and document when an in-kind, or exchange of value, reimbursement is included as part of the cost allocation/reimbursement plan. These non-cash reimbursements can relate to either direct or indirect costs. An exchange of value may include tangible benefits, which are financially quantifiable and intangible benefits, which are qualitative.

Examples of tangible benefits may include:

- bond financing
- delivery of media through radio or television channels
- financial support benefiting the university; e.g., contributions to a higher education bond campaign
- financial support to the university
- student scholarships
- supplemental support of university employee compensation and benefits
- unrecovered costs incurred by the auxiliary organization or enterprise program/activity/fund on behalf of the CSU Operating Fund
- use of an auxiliary service, product or facility

Examples of intangible benefits may include:

- enhancement of the student experience
- enhancement of the university brand
- improved relations with constituents and/or the university community
- performing functions that have been expressly identified for the auxiliary organization or enterprise

programs/activities/fund sources

- protection of donor and volunteer privacy

400 Timeliness of Reimbursement

Every effort should be taken to recover CSU Operating Fund costs in a timely manner. Payment must be made as soon as practicable after the completion of activities and programs that require university resources. Generally, this should be accomplished within the same fiscal year.

Authority

This policy is issued pursuant to [Section II of the Standing Orders of the Board of Trustees of the California State University](#), and as further delegated by the [Standing Delegations of Administrative Authority](#).

Sound Business Practices

[CSU Legal Accounting and Reporting Manual](#)

Laws, State Codes, Regulations and Mandates

- Government Code [11010](#) and [11270](#)
- [Delegation of Fiscal Authority and Accountability](#)

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Attachments

No Attachments

Approval Signatures

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