

MSU Administrative Fee Principles March 2009

Many MSU departments engage in auxiliary and other activities, such as non-credit instruction, that generate revenues, which are unrelated to student tuition, research grants, gifts or investment income. Most of these departmental activities receive centralized MSU administrative services such as Human Resources, Payroll, Accounting, information technology support, purchasing, voucher processing, etc., without directly paying for these services. Building rent and utility costs are not allocated to these activities in many situations.

In recognition of the administrative services provided and to encourage departments to develop recharge rates that include both direct and indirect costs, MSU will begin charging an Administrative Fee on **externally generated net revenues** received by departments. Details follow:

- **1.0% Administrative Fee charged July 1, 2008 - June 30, 2009 and continuing through June 30, 2010. (rate thereafter to be determined)**
- The Administrative Fee is primarily intended to be charged to Auxiliary and Designated Fund revolving accounts (21-XXXX) that receive revenues from sources external to MSU. The fee will not be assessed on external revenues less applicable refunds of such revenues that are between \$0 and \$1,000 per month.



- The following revenues will be exempted from the administrative fee:

- A. Student tuition and fee revenues credited to general fund accounts (11-XXXX) (Note - non-credit instruction revenues will be assessed the fee).
- B. Contract and Grant awards
- C. State appropriations and MAES and MSUE appropriations
- D. Patent and royalty income.
- E. Gifts and scholarships
- F. MSU endowment income, investment income, and research reserve income
- G. Reimbursements and pass-through payments
- H. MSU employee and student parking revenues and fines

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I. MSU interdepartmental charges

J. Contractual agreements stipulating net revenue residuals.

Methodology

The administrative fee will be expensed to applicable accounts monthly based on the previous month's associated revenue activity (e.g. the administrative fee for July will be charged in August). The fee will be charged via standard/automatic JVE 97 and expensed to object code 079 approximately three business days after the release of monthly fund ledgers. **The administrative fee for May will be charged on the June 1st close ledgers, while the fee for June will be charged on June 2nd close ledgers.** An Administrative Fee Report detailing monthly account activity will be available on Document Viewer as "A17ADFEE-1 ADMINISTRATIVE FEE REPORT." Please use this report to reconcile your administrative fee expenses.

Administrative Fee Calculation:

Step 1: Gross Taxable Income

- 1) Account numbers - revolving accounts (21-XXXX) that receive revenues from sources external to MSU
 - a) All revenue transactions for the accounts with the following ledger references:

(1) CSH*****	(4)JVE000073
(2) JVE000012	(5)JVE000080
(3) JVE000013	

Step 2: Refunds

- 1) Account number – same as mentioned above
 - a) Expense transactions for accounts that uses as object code of "130", include/sum those transactions amounts with the ledger reference "CHK*****".

Step 3: Net Taxable Income

For each individual account number, the total computed in Step 1 less the amount computed in Step 2 = Net Taxable Income. This is the amount which will be assessed the administrative fee rate of 1.0% for the 2008-09 year.

Please contact Sue VanCamp in Financial Analysis (517-355-5029 x8 or vancamps@ctrl.msu.edu) with questions regarding the administrative fee or how it may relate to your specific department and accounts.