

To: Fund Managers
Current Unrestricted Funds

From: Gordon Thyberg
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Subject: Change in Administrative Overhead Rates

Bottom Line Up Front: The University's administrative overhead rate has changed. It was previously 3.5% of non-personnel expenses for non-Method funds (with fund numbers starting with 2 or 3). Starting in fiscal year 2018, the administrative overhead will be calculated on revenues collected. In fiscal year 2018, the rate will be 1.40% of revenue. In fiscal year 2019, the rate will be 1.94% of revenue.

All affected fund managers should ensure that enough is budgeted in the administrative overhead commitment item to pay for the administrative overhead charges.

Background: The University charges administrative overhead to Current Unrestricted funds except Method of Finance accounts (those accounts funded by appropriations and tuition). Restricted gift and grant accounts do not pay administrative overhead, although grants are subject to indirect cost charges for facilities and administrative costs.

The administrative overhead charge ensures that the cost of operating the university is borne by non-Method sources as well as Method. It helps pay for administrative services such as Information Technology, Accounting, Purchasing, Human Resources/Payroll, Budgeting, Student Business Services, and general administrative costs which are paid by Method.

The 1.94% of revenue rate to be charged in fiscal year 2019 is intended to recover what would have been recovered under the old rates plus the non-Method share of the assessment paid to Texas State University System which is based on revenue. It is 50-67% less than the administrative overhead rate charged by most public universities.

The Change: The actual administrative overhead will be charged based on revenue collected in each month. It will be charged against the current Administrative Overhead budgetary commitment item 672100 which must be budgeted.

- In 2018 budget development, the Budget Office budgeted 1.40% of estimated income for fiscal year funds (funds whose last two digits end in 18 for fiscal year 2018) for administrative overhead. As actual revenue exceeds the original estimated income, fund managers will have to increase their budget for administrative overhead.
- Multi-year funds (whose last two digits are 00) do not go through the University's budget development process. Those fund managers will have to budget for administrative overhead.

If you have any questions, please email me GT01@txstate.edu or your favorite budget analyst or call 5-2376.