

MSU Administrative Fee Principles

Effective: January 4, 2011

Updated: April 10, 2012

Many MSU departments engage in auxiliary and other activities, such as non-credit instruction, which generate revenues 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 (including EBS) 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 charges an Administrative Fee on **externally generated revenue** (net of refunds) received by departments. Details follow:

- 2.0% Administrative Fee Rate (effective through June 30, 2013. Rate thereafter is to be determined.)
- The Administrative Fee is typically charged to Auxiliary and Designated Fund accounts that receive revenues from sources external to MSU, and is assessed on revenues net of related refunds.
- The following revenues are exempt from the administrative fee:
 - A. Student tuition and fee revenues credited to general fund accounts (Note – non-credit instruction revenues will be assessed the fee).
 - B. Contract and Grant awards.
 - C. State appropriations, MSU AgBioResearch (formerly 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.
 - I. MSU interdepartmental charges.
 - J. Contractual agreements stipulating net revenue residuals.



OFFICE OF THE CONTROLLER

Financial & Cost Analysis

Michigan State University
426 Auditorium Rd. Room 394
East Lansing, MI 48824

(517) 355-5029
FAX: (517) 353-1706
<http://ctrl.msu.edu/>

Methodology

The administrative fee is expensed to applicable accounts/sub-accounts monthly based on the previous month's associated revenue activity (e.g. the administrative fee for July will be charged in August). The administrative fee is charged via a Service Billing to object code 6470 (Administrative Fee). A monthly report showing the transactions eligible for the Administrative Fee and the fee calculation is attached to the Service Billing e-doc which recorded the fee.

Administrative Fee Calculation

- 1) **Revenue** – Certain accounts in the Designated Fund (DF Fund Group Code) and Auxiliary Fund (XF Fund Group Code) which receive revenue from sources external to MSU.
 - a) Revenue (other than types described in A-J above) from the following e-Docs are eligible for the fee: Advance Deposits, Cash Receipts, and Credit Card Receipts.
 - b) External revenue recorded using the Internal Billing, and Service Billing e-Docs are eligible for the fee. This includes revenue derived from billing non-MSU Affiliated Agency Fund (AF Fund Group Code) accounts.
- 2) **Refunds** – Refunds recorded on Object Code 6173 (Refunds) offset revenue calculated above.
- 3) The difference between the total revenue captured in #1 and the refunds in #2 is assessed the fee.
- 4) The fee will be recorded at the sub-account, project code level.

Please contact Ann Payne in Financial Analysis at 517-355-5029 or payneann@ctrl.msu.edu with questions regarding the administrative fee.