ADMINISTRATIVE FEE Q&A

Why an "administrative" fee? What does it pay for?
The administrative fee allows the university to recover part of the cost of providing institution-wide support services. These include human resources, payroll and purchasing, as well as accounting functions such as billing, intramural processing and cash management. It does not include other centralized functions such as public safety, environmental health and safety or building operation and maintenance. Currently, most of these services are being paid for with general university funds.

Who has to pay it?
All units of the university that generate external income not subject to indirect cost recovery must pay the fee. It will be based only on externally generated revenue. Many, though not all, of the units affected are self-supporting or auxiliary units of Iowa State.

How is this fee being calculated?
The administrative fee is charged to accounts on a monthly basis based on the revenue received in that account from external clients.

Who is considered an "external" client?
Anyone who doesn't pay with an ISU intramural form is considered external.

What sorts of revenue are not subject to the fee?
The following revenues will be removed from a unit's total receipts to arrive at a base on which the administrative fee is calculated:

- Student tuition and mandatory student fees
- Intramural billings to other university departments
- Internal transfers
- Course and special program fees (ex. fees for study abroad)
- Private funds raised by the ISU Foundation
- Interest income

How can I verify that the amount of administrative fee charged to an account is correct?
Begin with total revenue in the account for the month, then subtract revenue shown under the following class codes to get the base. Then multiply this base by the administrative fee rate.

- Tuition and fees: class 02xxx
- For-credit delivery fees: 04501
- Capital gains and losses: 051xx
- Interest income: class 056xx
- Sale of capital assets: class 059xx
- Accident costs: class 06910
- Intramural income: class 07xxx
- Foundation gifts and grants: class 085xx
- Principal payments: class 094xx
- Endowment additions: class 095xx
- Exempt payments: class 09610 (Controller's Department approval needed for use of this code.)
• Misc. additions and offsets: class 099xx
• FTT transfers: class 00xxx

What is the administrative fee rate?
The fee was adopted in FY04 at a rate of 2%. Annual rates since that time:
• 2.5% for FY05
• 3% for FY06
• 3.5% for FY07
• 4% for FY08 and beyond

Will any income from students be subject to the fee?
Yes. Some examples include room and board paid to the residence system, bookstore purchases, prescriptions at the student health center and purchases made at the Microcomputer Product Center.

Why is the fee based on revenue, not another consideration such as operating expenses or FTEs?
If your unit operates on a zero-profit basis, the expenses and revenues should pretty much mirror each other. It's easier to distinguish external income from internal income for accounting purposes. In many cases, it would be impossible to identify which expenses relate to external sales.

Simplicity is another goal in implementing this fee. If we charge one fee for human resource-related services based on FTEs, and another fee for accounting or purchasing services based on volume of purchases made, the system becomes cumbersome, labor-intensive and thus expensive to administer. Under a system like that, units could pay even more.

Can we bill our clients for what these fees will cost us?
The fee can be passed on to external customers only -- not internal customers.

Who can I contact with questions?
Stephanie Fox at ssfox@iastate.edu or 294-2556