

Submitted: October 18, 2007 (revised October 23, 2007)

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Recommendation #32: Determining appropriate approach for discontinuing current central administrative fee structure used for charging units for central administrative services.

Issue number: O-03

Background

Currently, the General Fund includes approximately \$5.0 - \$5.5 million in revenue generated from an administrative fee that is assessed to units that generate revenue from sources external to the university. The original purpose of the administrative fee was to recover part of the cost of providing central support services from ISUs external customers. All units of the university that generate external income (and that are not subject to indirect cost recovery) are required to pay the fee. The fee is based on a percentage of the external revenue generated.

The Resource Management Model allocates costs associated with Administrative Support Centers to Resource Responsibility Centers using several allocation statistics. Recommendations pertaining to the allocation of expense pools are posted on the RMM implementation website at <http://www.iastate.edu/~budget/acc0707.shtml>. Consistent with that approach, the Budget Model Review and Implementation Committee recommended that the centrally administered administrative fee be discontinued. This recommendation addresses how to maintain the collection of the \$5.0 - \$5.5 million revenue stream needed to balance the overall General Fund budget.

Recommendation

Discontinue the centrally-administered administrative fee structure in fiscal year 2009. The collection of revenue from external customers to maintain this revenue stream would become the responsibility of the Resource Responsibility Center administrators. Each RRC will be expected to continue to generate their share of the administrative fee revenue. Central administrative support will be provided to individual RRC administrators to determine the most efficient and cost-effective way to continue to collect the revenue.