

TRUST FUNDS

Charges and Interest Policies

A. Charges to Trust Funds

The campus is required by State of California statute and CSU policy to pass along charges incurred by the CSU Operating Fund on behalf of any non-CSU Operating Fund operations. Trust Funds are not to be funded by or supported with CSU Operating Fund/State Appropriations. Therefore, any services provided or expenses incurred by the CSU Operating Fund on behalf of a Trust operation or activity must be charged to that Trust Fund. If you are applying to establish a new Trust Fund or currently have a Trust Fund, please note the following:

1. Risk Coverage (**Risk-Cov**)

- (a) All Trust Funds are charged **Risk-Cov** *with the following exceptions (additional exceptions are addressed in Item A.3.):*
 - Scholarship Funds
 - Specific operations that carry their own insurance (e.g. Construction project contracts).
- (b) **Risk-Cov** is calculated as 1% of all expenditures posted during the fiscal year (encumbrances are not included in the 1% calculation.) Note that the 1% is re-calculated each fiscal year and may change depending upon the risk premiums charged to the University. Expenditure accounts for transfers out are not used to calculate the **Risk-Cov** charge.
- (c) **Risk-Cov** is posted by the Accounting Office quarterly.
- (d) The **Risk-Cov** will appear as an expenditure in account 660010 labeled as “INSURANCE EXPENSE.”
- (e) **Risk-Cov** is a charge for insurance; it covers Workers’ Compensation, Industrial Liability, Non-Industrial Liability, Unemployment, and Risk Liability claims; it reimburses the CSU Operating Fund for self-insurance assessments and Risk Pool Premiums levied by the CSU. (Risk Liability insurance has deductibles that vary dependent upon CSU and SJSU management policies.)

2. Administrative Services (**Admin Svcs**)

- (a) All Trust Funds with revenues of \$5,000 or more collected/deposited in a given fiscal year, will be charged for **Admin Svcs** *with the following exceptions (additional exceptions are addressed in Item A.3.):*
 - Bequest
 - Endowment
 - Scholarship
- (b) **Admin Svcs** is calculated as 8% of all new revenues posted during a fiscal year (based on posted revenues from June of prior fiscal year to May of the current year).
- (c) **Admin Svcs** is posted by the Accounting Office quarterly.
- (d) **Admin Svcs** will appear as an expenditure in account 660898 labeled as “BUS & FIN SERVICES.”

- (e) **Admin Svcs** charges reimburse the Administration & Finance Division of the University for Human Resource Services, Procurement Services, and Financial Services that support Trust Fund activities.

3. Exceptions to Both Items A.1. and A.2.):

Large self-support operations such as IES (International and Extended Studies, formerly known as Continuing Education), Parking, Student Health, etc. that maintain operating budgets in Trust Funds, negotiate individually with the University each fiscal year regarding their charges from the CSU Operating Fund for **Risk-Cov** and **Admin Svcs**.

B. Trust Fund Investment Income

1. Income earned on Trust Fund investment balances (i.e. cash) is held and managed centrally by the University under the purview of the President and the Chief Financial Officer/Vice President for Administration & Finance.

2. Exceptions to Item B.1.

(a) Investment income posted to the following individual Trust Funds:

- Bequest
- Endowment
- Large self-supporting operations: Housing, IES, Parking, etc.
- Scholarship

(b) Investment income is normally posted by the Accounting Office quarterly.

(1) Income earned on endowment funds is posted as revenue to Account 510090, labeled as “ENDOWMENT-OTHERS.”

(2) Amounts earned on investment balances held for auxiliary organizations are posted to Depository Account 206803, labeled as “DEPOSITORY ACCOUNTS-INVMT EARN”.

(3) All other investment income is posted as revenue to Account 508001, labeled as “INTEREST FR EXTERNAL INVEST.”

(4) Investment income is calculated based on the trust fund’s average daily cash balance(ADB) during the month. If a trust fund is operating in deficit and carries a negative cash balance, interest expense is posted to account 660020, labeled as “INTEREST PENALTY.”

NOTE: If you have questions regarding a specific existing Trust Fund, contact the University Accounting Trust Accountant. For an updated Accounting staff roster and telephone numbers, please refer to the “Whom to Contact” page of the Accounting and Financial Systems web site: www.sjsu.edu/depts/actcst/