July 28, 2000

MEMORANDUM

TO: CSU Presidents
FROM: Charles B. Reed
Chancellor

SUBJECT: Executive Order No. 753 – Allocation of Costs to Auxiliary Enterprises

The attached Executive Order No. 753 assigns responsibility to the campus chief financial officer to ensure that auxiliary enterprises are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the University funded from the General Fund. The chief financial officer is required to document the charges in an annual written cost allocation plan. This revised policy supersedes several existing policies and coded memoranda including BA 83-30 regarding chargeable services to self-support organizations.

In accordance with the policy of the California State University, the campus president has the responsibility for implementing Executive Orders where applicable and for maintaining the campus repository and index for all Executive Orders.

Should you have any questions regarding this executive order, please contact Mr. Bradley Wells, Assistant Vice Chancellor, Financial Services, phone (562) 951-4540.

CBR: bww

Distribution: Chief Financial Officers
Chancellor’s Office Staff
Executive Order No. 753

THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210

Executive Order No.: 753
Title: Allocation of Costs to Auxiliary Enterprises
Effective Date: July 28, 2000

Policy
Auxiliary enterprises shall be charged the allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the University funded from the General Fund. Costs allocations shall be determined in accordance with a written cost allocation plan approved annually by the campus chief financial officer.

Definitions
Auxiliary Enterprises – a program, activity, or fund source used to furnish facilities, goods or services to faculty, staff, or incidentally to the public. An auxiliary enterprise typically charges a fee directly related to, although not necessarily equal to, the cost of the facilities, goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed on an essentially self-supporting basis. Examples are faculty, staff, and student housing, food services, college stores, faculty clubs, parking, and student health services. Auxiliary organizations are also considered an auxiliary enterprise.

Direct costs – Costs that can be readily assigned to a particular cost objective with a high degree of accuracy.

Indirect costs – Costs that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received sometimes described as operation and maintenance of plant costs and general administration and general expenses.

Operation and maintenance of plant – Administration, supervision, operation, maintenance of the institution’s physical plant such as janitorial and utility services,
repairs, care of grounds, maintenance and operation of building and other plant facilities, security, environmental safety, hazardous waste disposal, insurance, facility planning and management, central receiving, allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

*General administration and general expenses* – Expenses incurred by administrative offices that serve the entire university such as executive administration, facilities management, business services, budget and planning, personnel management, risk management, legal services, and the operations of the administrative management information systems.

**Guidelines**
Direct and indirect cost allocations to auxiliary enterprises to reimburse the General Fund for services goods and facilities provided by General Fund supported departments should be reasonable, and provide consistent estimation, accumulation and reporting of costs incurred on behalf of auxiliary enterprises.

Direct costs should be allocated based on actual costs incurred.

Indirect costs should be allocated according to a cost allocation plan that:

1. Describes the facilities, goods, or services provided
2. Identifies the units rendering and receiving the facilities, goods, or services
3. Lists the items of expense included in the cost of providing the facilities, goods, or services
4. Identifies the method used to distribute the cost of the facilities, goods, or services
5. Provides a summary schedule showing the allocation of the facilities, goods, or services

Charles B. Reed, Chancellor

Date: July 28, 2000