



THE CALIFORNIA INSTITUTE OF TECHNOLOGY

Pasadena, California 91125

15% Overhead on Restricted Funds – FAQs ***Revised: October 1, 2009***

What is the reason for the restricted fund overhead rate?

Most Institute revenue is restricted and designated for specific purposes and doesn't support associated overhead costs. General budget (GB) funds are the primary source for academic program support, administration and infrastructure. The Institute needs a mechanism for restricted and designated funds to contribute to the cost of the overhead associated with the activities they support.

What is the definition of overhead and administrative costs? (In regard to the wording that donors often include on their gift transmittal letters.)

Overhead or administrative costs encompass areas such as academic program support, administration, and infrastructure. In this context, the two terms are interchangeable. The overhead can also be viewed as a partial offset to administrative costs.

What, if any, are the exemptions to the expenditure types this increase to 15% fee will be applied to?

There are no changes to the exemptions previously stated in the memo from the Provost, they are as follows: capital projects, in-kind gifts (such as equipment), gifts that revert to or relieve the GB, and gifts for financial aid that include tuition as well as stipends. With the exception of these approved exclusions, ALL expenditure types/categories will be subject to the restricted fund overhead rate.

Describe what it means “to help pay for the costs of serving the activities funded by the gifts and the accounting and reporting costs generated by the gifts.”

This revenue will go to support the GB. The GB pays for infrastructure costs like utilities, and also supports all of the administrative and service departments (HR, Facilities, OGC, Development, Finance, etc.). In addition, considerable GB support is allocated for the academic divisions and for central administration.

Will endowment accounts be subject to the fee, and if so, what type of endowment accounts will or won't be taxed and how will this be monitored?

Endowment payout is subject a separate 15% fee that will be netted against the total payout when payout is budgeted. The budgeted/distributed amount to each fund will be reflected net of the 15% allocated to the GB.

Will the classification of gift accounts remain the same or will they be changed for the future?

The classification of gift accounts will remain the same.

Will the donors be notified?

Yes, as deemed appropriate by Development. Questions regarding donor relations should be directed to the Development Office.

What are the criteria for applying the fee to a particular gift?

The increased 15% fee will be applied to all cash received on new gift accounts established on or after October 1, 2009, and to existing gift accounts that receive new deposits on or after October 1, 2009. In most cases recipients will want to set up new Awards for funds received on or after October 1. Gift and Endowment Accounting suggests that we add "T15" to the Award Number to distinguish these awards from existing Awards.

Will all purchases be subject to the fee or will equipment be exempt?

The approved exclusions are: capital projects, in-kind gifts (such as equipment), gifts that revert to or relieve the GB, and gifts for financial aid that include tuition as well as stipends. With the exception of these approved exclusions all expenditure types/categories will be subject to the overhead rate.

Does the fee apply to established accounts that periodically receive additional gifts from various donors?

Yes. Questions concerning specific established accounts should be addressed to your designated contact person in Gift and Endowment Accounting.

Will we see documentation of the fee in Oracle as part of the 'terms and conditions' for an award?

No, the burden schedule containing information about the fee will appear under the Cost Rate Name field on the PTA query screen, and in Oracle will appear under the Compliance tab.

Does the fee apply to prizes?

Prizes that provide financial aid or other direct benefit to students will be exempt; all other prizes will be subject to the overhead.

Will facilities or recharge center type accounts that were originally set up as gift accounts be subject to the fee?

No, they will not be subject to the fee; these will need to be converted to a OARCHG Award. New recharge center type accounts should be set up under the OARCHG category to avoid confusion.

What will happen to fixed price contracts that are converted into gifts?

Those gift accounts that are already in existence will not be subject to the fee. However, new fixed price contracts, where the residual is converted to a gift account, will be subject to the restricted fund overhead rate, regardless of when the fixed price contract came into effect.

What will happen with service agreements that have been established where outside companies use the laboratories of a faculty member (they pay a fee which has been reviewed by legal counsel)?

This is not subject to the restricted fund overhead rate.

Are royalty accounts subject to the 15% fee increase?

Royalty accounts are not considered gifts and therefore are not subject to overhead.

What is the policy for gift accounts that accumulate small gifts from Alumni?

These will be subject to the restricted funds overhead.

Will the 15% fee be charged to journal accounts (cost-reimbursable)?

No, these will not be subject to the restricted fund overhead rate.

“Why can’t the fee be taken when the gift comes vs. assessing it on expenditures?”

The major concern here is stewardship of the gifts.

Consistent with the previous policy, and based on feedback from various CIT constituencies it has been decided that in general the 15% restricted fund overhead rate will be applied at the time that funds are spent. This will be done using the burden schedule.

Exceptions may be considered if the donor and/or recipient request that the fee be taken “up front”, or if a Division wishes to pay the restricted fund overhead rate in full from another discretionary (non-GB) funding source. All such exceptions will need to be approved in advance by designated Development and Finance staff.

Will the supply funds that visiting faculty and postdocs bring with them be subject to the restricted fund overhead rate?

No, these will not be subject to the restricted fund overhead rate.

Will a gift that’s received and designated for student aid, but does not allow tuition remission to be charged, be subject to the 15% restricted fund overhead rate?

Yes, the gift will be subject to the 15% fee.

Will gifts that support seminars or lecture series’ be subject to the 15% restricted fund overhead rate?

If the gift is for a continuing series we are committed to, such as the Watson Lectures, it is GB relieving and therefore, exempt from the fee. However, if it is for something new, the 15% restricted fund overhead rate will be applied.

We are applying the restricted fund overhead rate to all expenditure categories, including equipment. Do we apply it to gifts that are used for equipment fabrication?

Yes, what it’s used for is not as important as whether the gift mobilizes at least 15% in overhead expenditures, as almost every gift does.

When we receive new money that should be applied to a deficit balance – do we still give the recipient the option of setting up a new Award, leaving the deficit balance in the old one?

The old account must be cleared first, and the previous restricted fund overhead rate, if any, will be applied to the old account, then any residual will be used to set up a new account to which the 15% restricted fund overhead rate will be applied.