



**THE CALIFORNIA INSTITUTE OF TECHNOLOGY**  
Pasadena, California 91125

**15% Overhead on Restricted Funds – FAQs**  
*Effective October 1, 2009, Revised FY2010*

**What is the reason for the restricted fund overhead?**

Most Institute revenue is restricted and designated for specific purposes and doesn't support associated overhead costs. General budget 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.

**Is this a new fee?**

No, a 10% fee has been applied to new restricted gift accounts since July 1, 2006. The 15% fee represents an increase in overhead beginning with new accounts created on or after October 1, 2009. Those accounts currently paying the 10% fee will not be affected unless new deposits are made after October 1, 2009.

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

Overhead (sometimes referred to as administrative costs) represent the ongoing administrative expenses of the Institute which cannot be attributed to any specific academic or research activity, but are still necessary to support those academic and research activities. Examples include academic program support, general administration, physical infrastructure, utilities, and insurance.

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

Overhead collected from restricted funds is transferred to the general budget, which supports the physical infrastructure (e.g., maintenance and utilities), and also supports the information technology infrastructure, and the administrative and service departments. Examples of administrative and service departments include Human Resources, Office of the General Counsel, Financial Services, and Campus Planning. In addition, considerable general budget support is allocated for Student Affairs, the academic divisions and for central administration.

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

Capital projects and in-kind gifts (such as equipment) are exempt; ALL other expenditure types/categories will be subject to the restricted fund overhead.

**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?**

All endowment payout is subject to a separate 15% overhead fee that is charged to the spending account when annual payout is budgeted. The budgeted amount to each fund will reflect 100% of payout and the overhead assessed will appear as an internal charge (expense) to that fund and be equal to 15% of the payout distributed. Exceptions may be made for certain endowments that support substantial research-intensive initiatives; these may be charged higher overhead fees, with a portion of the overhead made available for programmatic support.

**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 overhead to a particular gift?**

The increased 15% overhead is 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. If a grant is extended with new funds, a new award should be set up; if not the residual funds from the existing grant will be subject to the increased overhead. This is because we cannot have two burden schedules on one award. One suggestion is that "T15" be added to the current Award Number to distinguish these new awards from existing Awards.

**How is the overhead fee applied?**

The 15% overhead fee is based on the gift amount and is applied as the funds are spent. Endowments are charged overhead as discussed above.

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

Most expenditure types/categories, including equipment purchases are subject to the overhead fee. As noted above, capital projects and in-kind gifts are exempt.

**Does the overhead fee apply to established accounts that periodically receive and accumulate 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 overhead fee in Oracle as part of the 'terms and conditions' for an award?**

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

**Does the overhead fee apply to prizes?**

Endowed funds that support "prizes" for faculty or students are subject to the 15% overhead on endowment payout. Restricted gifts that are designated for "prizes" where the selection of the recipient and/or the amount of the "prize" is at the discretion of the Institute are also subject to the 15% overhead. Prizes or awards for specific students, where the selection of the student and the amount of the prize is determined solely by the donor, will not be subject to the administrative fee.

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

No. These should to be converted to an OARCHG Award. New recharge center type accounts should be set up under the OARCHG category to avoid confusion.

**What will happen to residual amounts from fixed-price contracts that are transferred to gift accounts?**

Deposits of any such residual balances after October 1, 2009 will be subject to the 15% restricted fund overhead, 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. A Facilities Use or Technical Services agreement should be completed for these arrangements.

**Are royalty accounts subject to the overhead 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 overhead fee be charged to journal accounts (cost-reimbursable)?**

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

**Why can't the fee be taken when the gift is received vs. assessing it as the funds are spent?**

The major concern here is stewardship of the gifts. Consistent with the previous policy, and based on feedback from various Caltech constituencies it has been decided that in general the restricted fund overhead will be applied at the time that funds are spent, and charged using the burden schedule based on the gift amount.

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

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

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

**Will a gift that is received and designated for graduate student aid, but does not allow tuition remission, be subject to the restricted fund overhead?**

Yes, the gift is subject to the overhead fee.

**Will gifts designated for undergraduate student aid be subject to the 15% restricted fund overhead?**

Yes, gifts designated for undergraduate student aid are subject to the 15% restricted fund overhead.

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

Yes, the 15% restricted fund overhead will apply.

**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, 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 will be applied.

**Will all accounts receive the Restricted Fund or Endowment Payout overhead?**

See table below, which illustrates the area supported and the overhead fee that will be assessed depending on the nature of the gift.

Area Supported	Endowment 15% OH on Payout	Gift Account 15% OH on Expenditures
General Budget	yes	yes
Undergraduate Student Aid	yes	yes
Graduate Student Aid	yes	yes <sup>1</sup>
SURFS	yes	yes
Prizes	yes	yes <sup>2</sup>
Seminars/Lecture Series	yes	yes
Division/Individual Discretionary	yes	yes
Division - Research Specific	yes	yes
Provost	yes	yes
President	yes	yes
Professorships	yes	N/A
Capital Projects	N/A	<b>no</b>
In-kind Gifts (e.g. equipment)	N/A	<b>no</b>
Equipment purchases	N/A	yes
Established gift accounts that receive additional gifts after 10/1/09	N/A	yes
Fixed-price contracts transferred to gifts after 10/1/09	N/A	yes

<sup>1</sup> If account does not pay full tuition remission

<sup>2</sup> Except if designated for specific student by donor