

AUXILIARY ENTERPRISES -- OVERHEAD POLICY AND REGULATIONS

Board of Governors for Higher Education
State of Rhode Island and Providence Plantations

Adopted:	06/21/79 (BR)	07/02/81 (BG)	Legal Citation 16-59-9
Amended:	5/05	(BG)	

Auxiliary enterprises will be operated on a self-supporting basis, absorbing all direct costs associated in carrying out their operations and their equitable share of the indirect cost of central administrative support and services provided to all activities of the institution.

In consideration of the fact that the auxiliary enterprises pay their own debt service, an adjustment shall be made reducing the amount of indirect cost allocation to auxiliaries up to the amount of the debt service (principal and interest) for the year. That is:

Direct Cost	XXX
Plus: Indirect Cost	<u>XXX</u> (Auxiliary Share)
Total Direct & Indirect Cost	XXX
Less: Debt Service	<u>XXX</u>
Cost Allocation to Auxiliaries	<u>XXX</u>

This practice will continue until the debt is fully liquidated, and at that time the total equitable share of indirect cost will be allocated to the auxiliary enterprises.

The total revenues generated (independent sources combined with student fees) should be sufficient to meet the earning requirements of the revenue bond indenture.

Any added burden to student auxiliary fees, as a result of the allocation of cost in the form of indirect overhead charges applied to auxiliary enterprises should be evaluated and compared with similar auxiliary fee charges of the other Rhode Island and neighboring state public and private institutions. Every effort should be made to keep auxiliary fee charges competitive and in line with other institutions. Fee shifts in any one year should not be such that they place undue burdens on students.

The Community College of Rhode Island cafeteria will be exempt from the policy due to the fact that it is operated completely on a contract basis by an outside vendor.

The Board of Governors revised the Auxiliary Enterprise Overhead Policy to allow each institution to use an overhead model that is equitable and reasonable and has a rationale that meets the intent of the Education Act of 1981, and further

The Board of Governors directed the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island to exclude the cost of goods sold from the general and administrative expense component of the indirect cost computation formula. The purchase price of text books would be excluded from the formula at all three institutions, and the price of food purchased would be excluded from the University and the College formulas, and further

The Board of Governors directed Rhode Island College to distribute security costs to residence halls and the student union based upon the responsibilities assigned to security personnel. The operations and maintenance expense component of the formula will take into consideration the responsibilities assigned to security in the computation of the square footage of residence halls and the student union.