

**University of Illinois**  
**System Offices Overhead Assessment on Auxiliary Funds**

**Purpose:**

The University of Illinois (UI) implemented a System Offices (SO) overhead assessment to ensure that auxiliary enterprises under indenture bear their appropriate share of SO costs.

**Definitions:**

**System Offices:** Offices that provide centralized administrative services to units on all three universities, including accounting, cashier, receivable, payable, payroll, legal, and a variety of other functions.

**Administrative Allowance Assessment:** An accounting mechanism which charges an “allowance” to operating units to compensate for their portion of central administrative overhead costs. Administrative allowances may be assessed by either University System Offices or by administration offices of a specific university.

**Auxiliary Enterprises:** University operating units that function on a self-supporting basis and provide services to students and the university community, but are not directly related to instruction, research, or public service organizational units. Auxiliary enterprises “under indenture,” such as housing, student unions, recreation centers, and athletic facilities, are financed by bonds and are designated in Banner by fund type 3M. Auxiliary operations that are not funded by bonds, such as counseling and career advising centers, are designated by Banner fund type 3J. These 3J funds meet financial reporting criteria as “auxiliaries;” however, they are considered “activities” according to the LAC Guidelines.

**Assessment Computation:**

All auxiliaries under indenture are assessed SO administrative allowance charges. Auxiliaries not under indenture are not assessed SO administrative allowance charges because generally, these operations are considered “activities” as opposed to “auxiliary enterprises” from the perspective of the LAC Guidelines, which prescribes different treatment for each.

Assessments are calculated daily using the Banner application, Allocations and Assessments (ALAS). The ALAS computation first calculates a fund’s year-to-date assessment and then compares the result to the net assessment already charged to the fund. This comparison identifies the net daily change in assessment, which is then posted to Banner.

This ALAS calculation applies a pre-established rate to an amount that equals each fund’s total expenses (account codes 1nnnnn and 2nnnnn) and mandatory transfers for debt service (account codes 403101-403599 and 403901-405999), less the following expenses:

- Plant expenditures (account codes: 171100-179999)
- Scholarship, tuition, and fee waiver account codes: 180000-181691 and 181800; waivers reflect a reduction in revenue rather than an expenditure in support of an operating activity)
- Bad debt expense (account codes: 186100-186119; reflects a reduction in revenue for accounts receivables that are estimated to be uncollectible rather than an expenditure in support of an operating activity)
- Administrative allowance, cost sharing, and debt equity decrease expenses (account codes: 190000-199999; assessment charges should not themselves be assessed)
- Mandatory Transfers for Auxiliaries, HSFS, and Airport (account codes: 401001-401003)
- Internal Financing (account codes: 403701-403703)
- Non-Mandatory Transfers (account codes: 411001-417361)

#### **Assessment Rate:**

The rate used in the computation is developed and validated annually by the Office of the Controller to assure it appropriately funds the SO costs incurred in support of auxiliary operations. Rate updates will be communicated to the university budget offices and auxiliary leadership. Current and historical rate information is as follows:

- FY25: 2.57%
- FY24: 2.42%
- FY23: 2.53%
- FY22: 3.25%

#### **Assessment Posting:**

ALAS posts a daily entry for the computed amount of the year-to-date change to each fund assessed. It assigns an “Auxiliary Administrative Charges-System Offices” expenditure account code (198600) to the entry posted to the assessed fund, and an “Auxiliary Service Charge Revenue” account code (308914) to the offset entry, which is posted to a University Administration administrative allowance fund.

#### **Questions:**

Questions may be directed to the SO Budget Office at [obfsbudgetofficeua@uillinois.edu](mailto:obfsbudgetofficeua@uillinois.edu).