

## Texas A&M University Auxiliary Assessment

### Overview

Auxiliary operations are expected to price products and services appropriately to cover all costs, including the cost of using central services (Finance, HR, Marketing, Risk & Compliance, University Leadership Offices, etc.). The University looks at the cost of providing these central services to campus and establishes a cost pool for these functions which are allocated out as overhead rates to auxiliary operations rather than individually charging for each of these services. This assessment prevents the appearance of an auxiliary benefitting from services funded by state appropriations and student tuition & fees.

This practice is supported by the National Association of College & University Business Officers (NACUBO) and is implemented widely at higher education institutions across the U.S. The auxiliary assessment was instituted at Texas A&M beginning in FY 2006.

### History & Methodology

Auxiliaries should contribute to the cost of centrally provided services and administrative overhead in the same proportion as auxiliary expenditures contribute to total university expenditures (not including restricted funds). This has historically trended at 16-18%.

1. Determine the cost of the central administrative pool. This has historically trended at \$40-45 million.
2. Apply the auxiliary percentage to the cost of the central pool determines the amount that auxiliaries should contribute. This has historically trended at \$5-8 million.
3. Once the pool amount is known, a mechanism for collecting from the individual auxiliary units is developed.

#### *FY 2006 – 2013: Based on a percentage of revenues earned*

Original benchmarking showed a 50/50 split between basing on revenues vs. basing on expenses. At the time of implementation, assumed it was an accurate measure of auxiliary performance. This method ended up being punitive to some units as they were increasing their revenues to meet their reserve requirements and disincentivized revenue growth.

#### *FY 2014 – 2023: Based on a percentage of expenses incurred*

This methodology rewards units for cutting expenses and does not punish units for increasing revenues. It is based on 3-year average to smooth out fluctuations and removes issue of charitable donations passed through 12th Man Foundation and booked as revenues for Athletics. The expense approach is consistent with other universities across the U.S.

#### *FY 2024 - present: Consolidation of Auxiliary Retiree Group Insurance Assessment*

Prior to FY 2024, Auxiliaries were charged a separate monthly assessment to cover their portion of Group Insurance (GIP) charges associated with retirees that worked for auxiliary units (\$1500/FTE). This was to ensure that the total burden of Retiree GIP was not borne by state funds or student tuition & fees.

## Exclusions from the Assessment Calculation

The following expense are excluded from the calculation of amount owed by auxiliaries

- Aircraft fuels (pass through expenses)
- Scholarships
- Items Purchased for Resale (retail inventories)
- Capital expenditures

Accounts with expenses less than \$10,000 are also excluded.

## Interest Earnings

Auxiliaries paying the assessment receive interest on their cash balances at a rate of 1.5% to help offset the cost of the assessment. These earnings had previously been credited to central university accounts.

## Rate History

Fiscal Year	% Rate	Funds Generated
2006	1.00	\$ 1,653,474
2007	2.50	\$ 4,475,504
2008	3.50	\$ 6,399,713
2009	3.62	\$ 6,789,530
2010	3.56	\$ 7,207,364
2011	3.50	\$ 7,289,283
2012	3.50	\$ 6,296,177
2013	3.50	\$ 6,475,349
2014	3.67	\$ 6,051,933
2015	3.80	\$ 5,946,257
2016	3.80	\$ 5,850,710
2017	3.80	\$ 5,893,858
2018	3.80	\$ 6,641,783
2019	3.80	\$ 7,147,082
2020	3.80	\$ 7,769,654
2021	3.80	\$ 8,215,923
2022	3.65	\$ 8,209,224
2023	3.80	\$ 8,275,450
2024	4.05	\$ 8,554,800

### Notes to Rate History:

1. The lower rates in FY 2006-2007 were an implementation strategy to “ramp-up” the assessment before being fully charged in FY 2008.
2. The reduction in funds generated from FY 2011-2012 were due to mandated budget reductions.
3. The university switched from a revenue basis to an expense basis beginning in FY 2014.
4. The rate was fixed from FY 2015-2023, with a reduction in FY 2022 to compensate for COVID impacts to auxiliaries.
5. The rate increased in FY 2024 as a consolidation of Auxiliary Assessment & Auxiliary Retiree Group Insurance charges.