1. Title

Guidelines for Allocation of Utility Costs to Auxiliary Enterprises

2. Policy

Sec. 1 U. T. System institutions shall develop a method for allocating utility costs to auxiliary enterprises.

Sec. 2 The General Appropriations Act specifically prohibits the use of educational and general funds appropriated to any institution to be expended to support auxiliary enterprises, unless specifically authorized in the Act. (General Appropriations Act, Higher Education Special Provisions, Sec. 6 (8b), 80th Legislature, Regular Session)

Auxiliary enterprises should be charged for allowable costs associated with facilities, goods, and services provided by the institution from educational and general funds. The purpose of this policy is to require institutions to establish a methodology for allocating utility costs to auxiliary enterprises.

Sec. 3 The development of a cost allocation plan and costing standards is an evolving process and requires continual monitoring of the methodology used. The allocation methodology determined for each fiscal year will remain in effect for that entire fiscal year. The allocation methodology should be properly documented in a cost allocation plan.

Sec. 4 The cost allocation plan shall be reviewed on an annual basis and approved by the chief business officer, to ensure that all utility costs incurred by other funds applicable to auxiliary enterprises are recovered by those funds.

Sec. 5 The allocations shall be made on the basis of the most accurate and reliable information, using the most reasonable basis relative to the activity, and based on documented principles and procedures. Metered information, when available, is the most accurate and consequently, the preferred basis for making allocations. In the absence of individual meters, usable square footage is the normal method of allocation. Alternative methods may be used. Each institution must evaluate its own circumstance and develop an appropriate methodology.

Sec. 6 Dormant structures not being utilized or readied for a specific activity and that are consuming minimal quantities of utilities while in a mothballed state should be included in space computations at a similarly minimal percentage of their actual usable square footage. Because of an institution's obligation to care for its facilities, these

should be classified as educational and general (E&G) facilities at such time as their auxiliary activity usage has ceased.

3. Definitions

Auxiliary Enterprises - a program, activity, or fund source used to furnish facilities, goods, or services to students, patients, faculty, staff, or, incidentally, to the general public. An auxiliary enterprise typically charges a fee directly related to, although not necessarily equal to, the cost of the facilities, goods, or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed on an essentially self-supporting basis. Examples are student housing, food services, college stores, parking, and student health services. Hospitals, although they may serve students, faculty, or staff, are classified separately because of their financial significance.

Auxiliary Enterprise Buildings or Space - income-generating structures and space such as dormitories, cafeterias, student union buildings, stadiums, athletic facilities, housing, or boarding facilities used by a fraternity, sorority, or private club, and alumni centers used solely for those purposes. Auxiliary space is not supported by State appropriations.

Cost Allocation Plan - documentation relating to the process for using a set of allocation methods to the benefiting objective.

Educational and General (E&G) - space used for teaching, research, or the preservation of knowledge, including the proportional share used for those activities in any building or facility used jointly with auxiliary enterprise, or space that is permanently unassigned. E&G space is supported by State appropriations.

Utilities - may include electricity, natural gas, water, chilled water, steam, and wastewater.

4. Relevant Federal and State Statutes

General Appropriations Act

Texas Higher Education Coordinating Board Rules, Chapter 17, Subchapter A

5. Relevant System Policies, Procedures, and Forms

None

6. System Administration Office(s) Responsible for Policy

Office of the Controller

7. Dates Approved or Amended

July 1, 1987
July 15, 2009
November 1, 2012