Income Activities
Sales and Service / Recharge
Agenda

• Definitions
  – Recharge
  – Sales and Service (S&S)

• How to develop appropriate rates to charge

• Handling Surplus or Deficit

• Setting up Budgets

• Annual Review

• S&S Income Assessment
Recharge / S&S Definitions

• Products or services provided for a fee by campus departments to...
  – other campus departments = Recharge (RCHG)
  – external customers = Sales & Service (INCO)

• Recharge: non-profit and can only recover direct costs consistent with Uniform Guidance Cost Accounting Standards.

• Sales & Service: revenues should fully recover all costs (direct and indirect).

• Services offered are necessary to advance the educational, research, or public service functions of the university.

• Services/sales cannot be purely commercial in nature.
When to Establish Recharge

• There exists a demand for the particular service by more than one department/unit/activity/project.
• There will be a significant volume of recharging, both in dollar amounts and in number of transactions.
• Service will be provided on a regular and continuing basis.
• Service is unique or specialized (for example, a glassblowing shop or a machine shop) as opposed to general administration or other institutional support services.
Recharge Activities

• Examples
  – Testing Services
  – Computer Services
  – Evaluation and analysis
  – Central stores
  – Facility/equipment use
  – Electrical, plumbing, mechanical services
Functional Responsibilities

• Recharge/Service Center is responsible for:
  – Following UC policies in managing the resources available to it
  – Maintaining records according to UC policies
  – Performing periodic reconciliation of revenues and expenses
  – Submitting annual recharge report and rate review
Functional Responsibilities – Cont.

• Dean/Director/Vice Chancellor is responsible for:
  – Overseeing the management and fiscal health of the recharge activity
  – Approving requests to establish new recharge activities
  – Reviewing requests for new/revised recharge rates
How to develop a recharge Rate

• Identify costs
• Define customers and project volume
• Complete rate calculation worksheets
• Establish familiarity with policies/ procedures
Identifying Costs

- The following must be identified for each activity:
  - Direct Costs
  - Indirect Costs
Direct Costs

• Costs that can be directly and consistently traced to the product or service.
  – Examples
    • Personnel costs
    • Direct administration, if >5% effort
    • Consumables
    • Materials for the end product
    • Equipment Depreciation
Indirect Costs

• Costs of conducting business that are incurred for common or joint objectives.
• Cannot be readily identified with particular projects or a specific activity.
  – Examples
    • Department/school/campus administrative support
    • Utilities / Infrastructure
    • Operations and Maintenance of Plant (OMP)
• S&S: Indirect costs must be charged to non–university clients. The rate should be sufficient to recover the campus Sales and Service assessment (14.6%) and department/school/unit indirect support (15.2% recommended).
Allowable Costs

• All costs charged to recharge activities must comply with Federal Uniform Guidelines (CFR-200)
• Salaries and benefits of technical personnel directly related to the recharge activity
• Supplies and reasonable direct general support costs (e.g., telephone charges and office supplies),
• Equipment depreciation (straight line basis) and depreciation of capitalized improvements /fabrications
• Maintenance and non-capital repair/alterations costs - defined as regularly recurring disbursements to keep property in an efficient operating condition
• Installation charges, and allowable lease and loan costs
• Amortization of costs that benefit multiple years
Unallowable Costs

- Unallowable Costs
  - CFR Part 220 unallowable costs
    - entertainment expense
    - advertising costs
  - Costs of capitalized improvements, including renovation costs or significant alterations or structural changes to plant assets which increase the usefulness, enhance the efficiency, or prolong the life of the property
  - Internal interest charges
  - Equipment purchases (unless useful life is one year or less)
  - Start-up costs
  - Depreciation of Equipment purchased with Federal funds
Recharge vs. S&S Income

- **Recharge**
  - Provide products / services to other UC departments
  - Kuali Internal Billing (IB)
  - Governed by Federal costing guidelines
  - Recover direct costs

- **Income**
  - Provide products / services to non-UC clientele only.
    - Campus Online Deposit system (C.O.D.)
  - Not subject to Federal guidelines
  - Required to recover the Direct and Indirect costs
Recharge Object codes

• Financial Credit Object code – 3900
• Financial Debit Object code
  – Unique object code assigned to each recharge unit
• Budgeting Object codes – 3900 for income and 0001/0002/0003/0008 for expense
Income Deposit Object Codes

- Income object code for Current, Base Budget and Actual
  - SSXXXX Accounts in sub-fund group code 409190 (Sales and Service – Educational Activity)

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<tr>
<th>Object Code</th>
<th>Object Code Title</th>
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<tr>
<td>R781</td>
<td>KEY DEPOSITS</td>
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<tr>
<td>R807</td>
<td>SALES OF GOODS</td>
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<td>R821</td>
<td>SALES OF SERVICES</td>
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<tr>
<td>R841</td>
<td>RENTAL OF FACILITIES</td>
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<tr>
<td>R844</td>
<td>RESIDENT AFFILIATE AGREEMENTS</td>
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<tr>
<td>S138</td>
<td>CONFERENCES &amp; RELATED INCOME</td>
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- Income Object Code for Current, Base Budget and Actual
  - OSXXXX Accounts in sub fund group code 410290 (Other Sources)

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<tr>
<td>S754</td>
<td>S&amp;A OTHER INCOME</td>
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Common to both Recharge and Income Activities

• Rates must be established on a per hour or per unit basis.

• Pricing rationale worksheets are used to itemize and calculate costs.

• Different rates should be established for different levels of services.

• Base & Current Budgets are required for all income activities.
Is this a S&S Activity?

- Is income without contractual requirements and irrevocable
  - Then it should be deposited as a gift.
- Is the product or service customized?
  - Then it should be deposited as a private contract or grant.
- Is the product or service standardized?
  - Then it should be deposited as sales and services income.
Surplus and Deficit

• Recharge rates should be adjusted annually, to eliminate any deficits or surpluses over as short a period as possible (not to exceed 3 years).

• Ensure that year-end surpluses and deficits do not exceed 60 days of operating costs. (see Deficit Policy)
Annual Review Process

• Budget Office calls for recharge review and proposals for rate increases right after the Fiscal Year End (August)
• Department reviews its fiscal operations, updates costs, proposes new rates
• Department submits status report, justification for rate increases to control point.
• Dean’s Office or responsible VC office reviews for appropriateness
• Budget Office reviews and consults with Recharge Review Committee comprised of representatives from many campus units
• Budget Office drafts recommendation for approval by Provost/Executive Vice Chancellor
• Budget Office publishes new rates, distributes to deans/directors, updates central files, and transmits approvals
• New recharge activities can be requested mid-year (by Dec or Mar)
Typical accounts needed in a recharge facility

- Operating Account
- Reserve and Renewal Account
  - if equipment is used and depreciated
- Subsidy Account
  - If recharge facility is being subsidized by the school
- Differential Account
  - For depositing the portion of S&S income over the calculated S&S rate for external clients (recharge rate plus assessment amount)
Campus Assessment

• **29.8%** (based on modified version of federally negotiated Other Sponsored Activities rate).

• Indirect rate recovers:
  – the overhead costs of department/school administration
  – general campus administration
  – building and equipment usage
  – the operation and maintenance of the physical plant

• ~51% covers overhead in the unit – 15.2%

• Central campus overhead – 14.6%

• Departments must charge a rate on their Sales and Service activities that is high enough to cover their costs, plus the indirect cost rate.
References

• Recharge Accounts and Rate Review Procedures Policy
• A-56 Academic Support Unit Costing and Billing Guidelines
• CFR Part 200