Service Center Guidance

Administrative Policy No. 2112 – Recharge Rates defines a service center as an activity that performs specific technical or administrative services, primarily for the internal operations of the University, and charges users for its services. A recharge org is created when there are multiple recipients of the service that need to be billed, either departments or grants and contracts. The recharge set-up assists with accumulating a variety of costs (personnel, materials, equipment service, etc.) related to providing a service; end-users are charged a rate based on the projection of those costs and the expected usage. Generally, a recharge org is not appropriate when all of the activity is on a single grant.

Setting up a new recharge center

1. Contact Director, Special Projects in Fiscal Services to discuss needs
2. Develop rate and submit to Director, Special Projects in Fiscal Services who will coordinate approval
3. Initiate new org request in workflow
    - Indicate recharge org in description
    - Fund 15111 (F&A Recovery - Indirect) generally used if users are primarily grants and contracts with a very low likelihood of external use
    - Fund 10211 (E&G self-supporting) generally used if costs incurred historically in E&G or if likely to be external users (outside revenue)

Recharge Rate Development

If federal funds will be charged, the University is required to establish a billing rate that is in compliance with Office of Management and Budget (OMB) Circular A-21, *Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions.* Circular A-21 stipulates that the federal government may not be charged more than any other user, including internal users.

Billing rates must be designed to recover the operating costs of providing the service over time. The cost principles provide for recovery of personnel, equipment and any material or operating costs. To capture personnel costs, an amount of effort per individual is estimated. Materials and operating costs included are those that can be directly assigned to the service. Equipment costs are captured using annual depreciation expense, which is calculated by dividing the cost of the equipment, less any salvage value, over its useful life. Once all costs are accumulated, a reasonable allocation method of determining usage (hours, units, etc.) is determined. Finally, all costs are divided by the estimated number of units to be used, in order to derive the rate.

Expectations of School/College housing the recharge org

Budget **–** A recharge org will have a zero budget. The expectation is that the activity will break-even over time. In other words, expense will be offset by expenditure recovery.

Billing - The unit will be required to set up an internal billing structure. Pursuant to the recharge rate policy, all charges for services completed from the 16th of one month through the 15th of the following month must be provided to General Accounting by the 25th of the month. Billing can be in the form of a JV and if billing to grants and contracts must be routed to the Office of Sponsored Programs.

Equipment replacement – A portion of the billing rate includes the annual depreciation. As a result, units should be mindful that a pre-determined percentage of the recovery should be set aside for equipment replacement. For example, if the billing rate is $100 and depreciation represents 15 percent, $15 of every $100 charged should be set aside for equipment replacement.

Rate analysis – Pursuant to the recharge policy, departments with recharge orgs need to prepare an annual analysis of the recharge activity. This analysis should compare actual costs to the estimates that were created the prior year; estimates of personnel effort should be compared with an estimate of actual effort for reasonableness. Costs to recover should be adjusted for prior year profit or loss in order to break-even over the long-term.

Covering shortages - Recharge orgs are set up as a break-even operation. Rates are developed using expense projections and an estimate of usage. When projections are on track, expenses incurred in the org are offset by expenditure recoveries. Any shortfall in the org is the responsibility of the college/unit.

Cost share – Since a recharge org is expected to break-even, if the unit decides to offer service as cost share on grants or contracts, the foregone revenue will need to be covered by the unit.

F&A recovery – Recharge line-items are subject to F&A recovery. While there may be equipment expenditures in the recharge org, the recharge rate development appropriately excludes any expenditures, such as equipment, that should not draw indirect and the F&A rate development appropriately excludes all service center costs.

Charging external users – When a service center has been approved by the Controller's Office to directly charge external users, rates can be established above the calculated rate for grants and contracts; external users may not be charged less than federal users. The Other Sponsored Activity (OSA) rate effective at the time (FY10-12, 33%) should be included in the rate. The OSA portion of cash receipts will be transferred out of the service center through an annual budget adjustment to central.

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