The guidelines that follow are based on UC and campus policy, OMB Circular A-21, the recommendations of a Faculty/Administration Committee appointed to review the recharge process, internal audits, comments from both providers and users of recharge services, and input from members of the Income and Recharge Committee. The guidelines were developed to supplement existing policies and procedures, as well as to better define the responsibilities of service providers and the Income and Recharge Committee.
See “Recharge Templates” for rate calculation examples and “Rate Proposal” for copies of the required forms, available for download at

http://bap.ucsb.edu/Income_and_Recharge.html
SECTION 1 - REFERENCES

A. University of California Business and Finance Bulletin A-47, University Direct Costing Policy.


D. OMB Circular A-21, Cost Principles of Educational Institutions.

E. July 14, 1993 letter from University Controller Joseph A. Pastrone to Administrative Vice Chancellors regarding “New Recharges to Federal Grants and Contracts”.

SECTION 2 - POLICY

The term recharge is defined as the assessment (charge) by one campus account for goods or services, based on an identifiable unit of measure, furnished to another campus account. A recharge falls within one of the following three categories:

I. The cost charged to a University department for specific goods or services provided by another University department. Included in this category are goods and services provided by auxiliary and service enterprises, academic department support units, plant services departments, and departments other than central campus administrative offices with approved recharge budgets. Examples include website design services, use of research equipment, or automobile rentals.

II. The cost charged to self-supporting activities which are primarily funded from external income for identifiable services provided by central campus administrative offices. The Non-State Funded Administrative Support (NSFAS) is an example of a Category II recharge. For example, Accounting provides specific services to Auxiliary Enterprises, an income producing area, that are paid through recharges.

III. The cost charged to University departments for special services and abnormal levels of services provided by central campus administrative offices which are beyond the normal services provided by those offices represents a Category III recharge. An example of this type of recharge would be Personnel, which
provides a broad range of services campus-wide free of charge, and also provides training classes for a fee.

Recharges are recorded in the general ledger as direct costs. In nearly all cases, a recharge program’s revenue and expenditures should be budgeted in a single restricted fund number rather than core funds (State General Funds, Opportunity Funds, Contract and Grant Overhead, and Student Fees). The segregation of recharge operations into a single fund greatly assists in monitoring departmental compliance with restrictions on the use of recharge income. It also facilitates the allocation, management, and tracking of program costs, and allows for depreciation of equipment.

In cases where a department proposes to subsidize rechargeable services from other departmental funds (such as the Non-University mark-up income on sales to external clients), the full costs of providing the goods or services shall nevertheless be located in the recharge fund; the fund source providing the subsidy should be recharged on the ordinary recharge billing cycle for the portion of costs that re to be covered by the subsidy. This requirement facilitates the isolation of costs for rate calculation, as well as greatly simplifies the recharge budgetary monitoring process.

The term income refers to revenue generated by campus departments or units from sales to non-university clientele (i.e. non-departmental sales). Examples include the charging of a private sector company for the use of specialized equipment, charging of students for transcripts, and the charging for specialized services at the Student Health Center.

The establishment of an income or recharge account is based on meeting the following criteria:

1. A specifically identifiable good or service is provided.
2. There exists a demand for the particular service by more than one university or non-university user.
3. There will be a significant volume of activity, both in dollar amounts and in the number of transactions.
4. Service will be provided on a regular and continuing basis.
5. Services are unique or specialized (for example, a glass blowing shop, or a machine shop), as opposed to general administration or other institutional support services.
6. Funding for the service is not part of the permanent departmental budget.

Recharge transactions may be initiated only by those units with approved recharge accounts (sub-account 9). The Budget Office cannot forward a request to establish a recharge account until after consultation opportunities have been provided to users, it has been reviewed by the Income and Recharge Committee and approved by the Executive Vice Chancellor.
SECTION 3 - INCOME AND RECHARGE PROPOSALS

A. Rates Subject to Review

All campus rates are subject to review. The Income and Recharge Committee reviews all rates except those set by regulatory bodies, and rates subject to control through other specific University policies are excluded from this policy. These include:

1. Academic fees which include general University fees for which Regental or Presidential approval is required.
2. University Extension Fees
3. Summer Session fees for instructional programs
4. Residence halls, including food services
5. Admission to athletic events, arts and lectures programs, recreation programs, parking, and other events.
6. University Center fees

Child Care Center rates, rates for website design services, and rates for use of equipment are examples of rates that fall within the responsibility of the Income and Recharge Committee.

B. Responsibilities of Service Providers

A department that charges for services is responsible for the financial management of the account. This includes:

1. Annual Review of All Rates - All rates must be presented to the Income and Recharge Committee at least once per year for review. More than one review in a year will be necessary if mid-cycle rate changes are proposed by a department. A memo indicating that no changes are proposed in the rates is not sufficient as expense and volume information varies annually. Rates requiring review include, but are not limited to, labor/service rates, equipment usage charges, mark-ups on cost, discounted or departmentally subsidized rates, as well as categorical descriptions of materials recharged at invoice cost.

2. Updating of Current and Permanent Budgets - Income, recharge, and expenditure budgets (both current year and permanent) must be updated by the department via a transfer of funds within one month following approval of rates.
3. **Rate Stability** - Recharge departments are responsible for providing rate stability to the users of their services. If large increases are proposed recharge units must identify in their rate proposals actions taken to minimize the increase and document the consultation that took place with users in the rate development process.

4. **Departmental Subsidies** - The elimination of departmental subsidies, when warranted, should be based on a phased withdrawal of funds. Users of recharge services must be notified as far in advance as possible (three months minimum) before actions are taken to reduce or eliminate departmental subsidies of rates.

5. **Review of Services** - Service providers must review their “products” at least annually in an effort to eliminate services that are seldom used, have limited benefit to the campus as a whole, and/or are available at less cost through other local providers. Notice of intent to eliminate a service should also be provide to current users explaining the need and identify other options the user may have.

6. **Reserves** - In some cases reserves are allowed for items like depreciation and paid leave liabilities. Departments must contact the Accounting Office to establish the appropriate reserves when warranted. Reports detailing the current status of all reserves should be included with the annual rate proposal submitted to the Income and Recharge Committee.

7. **Surplus or Deficit Condition** - Rates must be constructed to recover the full costs of individual programs. Earnings (surplus or deficit) from the previous year must be taken into account in setting new rates. For example, a surplus would require a rate decrease and a deficit may require a rate increase. A written explanation of the steps taken to eliminate a surplus or deficit must be included in department rate proposals.

8. **Depreciation** - Any inventoriable equipment assigned to the recharge program — other than equipment that has either been furnished by the Federal government or has been designated as a campus cost share to a Federal award — shall be depreciated. Depreciation costs are to be included as a cost element for rate determination purposes. Depreciation shall be on a straight-line basis. A distinct equipment replacement reserve fund — to be used for purchasing equipment replacements — shall be established and credited with the amounts charged to operations for depreciation expense. Departments are responsible for identifying allowable (non-recharge) sources of funding for depreciable equipment in advance of the purchase. No equipment shall be purchased on an “unfunded” basis with the expectation that depreciation can be used to retire deficits arising from unfunded equipment purchases. (Reference: Business and Finance Bulletin A-56)

10. **Off-Campus Rates** - It is the University’s policy not to sell goods or
services to outside consumers except where such goods or services are unique or where such sales would not constitute inappropriate competition with commercial sources (Reference Business and Finance Bulletin A-56 and University Regulation #4). Sales to outside consumers as part of the total operating program of an individual activity require approvals at the campus level. The established charge shall recover full University costs, both direct and indirect. A Non-University Differential (NUD) markup — at a minimum equal to the current negotiated federal indirect cost recovery rate — shall be applied to the recharge center’s pure cost recovery rate(s), in order to recover an appropriate amount for campus overhead costs. Funds representing recovered overhead shall be, unless otherwise specified, retained by the department providing the service.

11. **Billing & Records** - The service provider is responsible for all billing, including the determination of appropriate billing cycles. It is recommended that billings should occur at least quarterly. Service provider shall maintain records to substantiate recharge and other billing transitions, including requisitions, purchase orders, or similar written verification of individual user requests for goods or services. Providers recharge procedures, including billing statements provided users, shall be subject to campus Accounting Office approval and periodic review by the campus Accounting Office and the Office of Internal Audit. (Note: The service provider must also retain the original signed copy of the income and recharge rate proposal and the proposed billing rates.)

12. **Posting of Rates** – All approved rates should be posted on the department web site and at the appropriate point of service location.

### C. New Recharge or Income Activity

1. **New Recharge Services** - Departments implementing new recharge services are responsible for any deficits that occur during the first two years of operation. Deficits are common in new recharge operations as accurate usage and expense data are usually not available when rates are initially developed. The future users of the services should not be burdened with higher rates caused by “start-up” deficits.

2. **New Recharges on Federal Grants** - Recharging federal projects directly for services previously included in indirect cost pools is not allowed by federal regulation without prior approval. The October, 1991 revision to OMB Circular A-21, *Cost Principles for Educational Institutions*, was issued to limit the federal reimbursement of indirect costs and to prohibit the direct charging of costs previously included in indirect costs. The current language in OMB Circular A-21 allows costs to be directly charged to a federal grant or contract only if all of the following conditions are met:
a. The costs are accurately and specifically identifiable to a particular project (A-21, Section D.1).

b. The costs are consistently treated as direct costs to all activities, in like circumstance (A-21, Section D.2.). Thus, if recharges are made to federal projects by a cost center or department, similar costs must also be charged by the cost center or department to all activities including General funded activities.

c. The costs were not included in indirect cost pools for rates in effect since May 1, 1991. Any change in the charging of a particular type of cost from indirect to direct after May 1, 1991 must be reviewed and approved by the cognizant federal agency. The cognizant agency is authorized to permit the change in costing practice only if the previous costing practice was at variance with acceptable practices followed by a substantial majority of other institutions (A-21, Section G.6.d).

New recharges may be developed and approved for use by the campuses consistent with existing University policy; however, they cannot be charged against federal funds without prior approval. Prior federal approval will not be required for recharges of new costs related to new services which did not exist within the University prior to May 1, 1991, or for activities previously excluded from indirect costs in cost proposals submitted to the cognizant federal agency. (Reference memo dated July 14, 1993 to Administrative Vice Chancellors from University Controller Joseph A. Pastrone)

D. Rate Development

Income and Recharge Proposals are to be submitted by April 15 in order to be reviewed and approved in time for implementation by the beginning of the following fiscal year. All campus units/departments that are charging a fee for services or goods must submit an annual rate proposal for review by the Income and Recharge Committee. Exceptions to this requirement are noted in Section 3.A. Rates requiring review include, but are not limited to, labor/service rates, equipment usage charges, mark-ups on cost, discounted or departmentally subsidized rates, as well as categorical descriptions of materials recharged at invoice cost.

The amount to be charged for goods and services provided by the activities are governed by the following general guidelines:

1. Rates shall be related to the costs of providing a good or service. All elements of cost resulting from the good or service provided shall be recharged to users based upon an authorized, established price or standard
pricing method uniformly applied to all users. In complex pricing situations, such as for custom work, price computations shall be based on established wage rates and costs of materials and equipment used. Identical goods and services carry identical prices for any and all on-campus customers. Off-campus customers should be charged the on-campus rate plus a Non-University Differential (NUD). The NUD should equal the current negotiated Federal indirect cost recovery rate.

2. Rates must be based on an acceptable cost allocation basis and not on prorations or other indirect methods of cost allocations. Rates shall be stated in measurable units of goods or services. A separate rate shall be established for each class of goods or services provided.

3. Recharges shall be related to the cost of goods or services furnished and must provide for the recovery of actual costs, including depreciation. Prices shall be adjusted at least annually to eliminate any surpluses or deficits.

4. Recharge units with activities which are primarily driven by federal, state, and local regulations should develop recharge budgets in terms of fixed and variable costs. The fixed costs associated with these regulations, as well as administrative costs of the units, should be core funded and not be included in any recharge rate. Costs charged by these recharge units should be those that are volume dependent (i.e., a change in usage results in a change in costs). Currently only the Animal Resource Center and Hazardous Waste Disposal operations fall into this category.

5. Typical departmental Facilities and Administrative costs that are included in UCSB’s negotiated federal indirect cost recovery rates should not be included in recharge budgets and rates, in order to prevent double-charging of these costs to federal agencies. In addition, costs not allowable for direct charge to federal funds (object codes 77xx) should not be charged to recharge budgets or included in recharge rates.

6. Recharge activity shall be operated on a “no-gain/no-loss” basis. Specifically the earnings of the prior year (surplus or deficit) must be taken into account in setting the forthcoming year’s rates. A surplus or deficit will normally require a rate adjustment. Actions taken to respond to either a surplus or deficit situation must be identified within the annual rate proposal. Every effort should be made to ensure that, after providing for a working capital reserve equivalent to no more than two months operating expense, the recharging unit’s year-end surplus or deficit does not exceed one month’s operating expenditure (Reference A-47 and A-56).

Should a recharge activity have a deficit or surplus, a business plan shall be developed to eliminate it within a reasonable period (i.e., one to three years). In addition, the business plan must be approved by the appropriate control point.
7. Service providers should explore alternatives to rate increases when formulating rates. Identification, review and consideration of alternatives to rate increases is an integral part of the rate presentation and needs to be documented within the rate proposal.

8. Users of services must be given early notification of proposed rates for purposes of planning and providing comments. This notification should at the same time as the proposal is sent to the Income and Recharge Committee for their review and must be sent to users representing at least 75% of the annual usage. User consultation prior to submittal to the I&R Committee is recommended for those rates with limited users such as when a group of P.I.’s share equipment maintenance and operation costs.

9. Prior to implementation of any rates for goods and services the rates must first be reviewed by the Income and Recharge Committee and approved by the Executive Vice Chancellor. (Note: The service provider must retain the original of the signed approval of the income and recharge proposal and billing rates.)

E. Rate Proposals

Annually over 100 rate proposals are reviewed by the Income and Recharge Committee. The required summary forms help make this task manageable and provides consistency in the presentation of information for all campus users. The summary forms provide general information regarding the overall recharge account. Departments must also provide detailed calculations for each proposed rate. The following items are required to be included in each rate proposal (See “Rate Proposal” for complete package with forms and directions):

1. **Rate Proposal Cover Sheet** — This form is used to identify the department, the recharge program, the accounts and funds associated with the recharge program, and to provide departmental contact information. The lower section of the form provides signature approval blanks for the department chair, and the control point as part of the review process.

2. **Section A – Description of Goods and Services** — This form is used to provide a brief overview of the income/recharge program, the goods and services provided, and the need for the activity. (Please provide one form for the recharge program, not per service.)

3. **Section B – Customer Information** — This form is used to identify the principal sources of income and recharge, including the degree of Federal participation in the program. Summary information concerning client consultations regarding the proposed rates should be provided on this form.
4. **Section C – Summary of Individual Rates & Budgeted Income** — This form is divided into two parts. Form C-1 provides a listing of all services rates, as well as a comparison of the currently approved with the proposed rates; this listing and comparison must be made available to customers and posted on the departmental website. Form C-2 ties the proposed rates to budgeted units of service, so that recharge income and external revenue associated with each service may be determined. All rates and budgeted units presented in Section C must be supported by attached rate calculation sheets.

5. **Section D – Actual Expense and Revenue Summary** — Use this form to report income, expense, and closing balance for (1) the last completed fiscal year, using actual results as reported in the General Ledger, (2) the current year, using actuals plus projections to fiscal year end, and (3) results as proposed for the coming fiscal year. The information provided in Section D is required because an important part of the rate review process involves a comparison of the proposed budget to actual revenue and expenditure in prior years. Where the proposed budget differs significantly from recent actual expense and revenue, departments should provide an explanation.

6. **Section E – Proposed Budget** — This form provides a summary of the proposed budget for the recharge/income account using General Ledger subaccount. This form can be used by the department as the source document for updates to the budget based on the proposed rates (see Section 3.B.2 of this document).

7. **Section F – Equipment Depreciation Worksheet** — This form provides a listing of the equipment whose depreciation is proposed for recovery in the recharge rates. Only list those items of equipment that (1) are used by the unit for provision of rechargeable goods/services, (2) were neither purchased with federal funds nor designated as a campus cost share on a federal award and, (3) have more than one year remaining useful life.

8. **Rate Calculation Sheets** — User supplied worksheets clearly showing expense, revenue, and volume details associated with the calculation of each proposed rate. See Appendix 2 for examples of rate calculation work sheets. The actual format is at the discretion of each unit. Annually over 100 rate proposals are reviewed by the Income and Recharge Committee. The required summary forms help make this task manageable. These summary forms provide general information regarding the overall recharge account. Departments must also provide detailed calculations for each proposed rate. The following items are required to be included in each rate proposal (See “Rate Proposal” for complete package with forms and directions).

9. **Sample Billing Statement** — A user supplied sample billing statement must be attached to the income and recharge proposal. The statements will be
reviewed to determine if adequate detail supporting the recharges to clients is provided.
SECTION 4 - INCOME AND RECHARGE COMMITTEE

The Income and Recharge Committee advises the Chancellor and/or the Executive Vice Chancellor on all matters related to rate structures proposed by campus units for goods and services. During this review the Committee considers rate decisions based on comparison to organizations providing similar services or goods from within the community to avoid the appearance of unfair competition with local and private enterprise.

The Committee insures that rates are set to consider full cost recovery. For self-sustaining activities, consideration shall be given to amortization of indebtedness and depreciation of equipment and facilities.

In conjunction with the annual budget process, the committee reviews all requests for changes in rates, services and activities to insure that they reflect current needs and are consistent with University guidelines and policy.

A. Committee Responsibilities

The function of the Income & Recharge Committee is to:

1. Review and evaluate of the need for the activity and the rates charged for the goods and/or services provided;

2. Review existing rates on an annual basis for all campus units whether or not changes or revisions are proposed. Determine that existing accounts/activities reflect present situations and needs;

3. Review proposals from campus units requesting establishment of new income and/or recharge accounts.

4. Review and make recommendations to the Chancellor and/or the Executive Vice Chancellor on proposed rates.

5. Provide assistance to campus units in the development of recharge formulas and rate structures.

B. Committee Membership

The Committee consists of the following faculty, staff, and student members:

1. Faculty - 3 selected from nominations submitted by the Senate Committee on Committees

2. Staff - 10 representatives based on position or work area as follows:
a. Director Budget Office (Chair)
b. Budget Office Staff Member
c. Executive Director Academic Affairs
d. Director, Accounting & Financial Services or designee
e. Student Affairs representative
f. College of Engineering representative
g. College of Letters and Science representatives (2)
h. Office of Research representative
i. Administrative Services representative

3. Students - 2 as follows
   a. Undergraduate student nominated by Associated Students
   b. Graduate student nominated by Graduate Students Association

C. Proposal Review

1. Method of Review — On an annual basis, rate and recharge proposals are to be prepared for review and approval by the department chair and the control point. Upon control point approval, the proposal is forwarded to the Budget Office for review by the Income and Recharge Committee. Based on its review, the Committee prepares a recommendation for final approval of the proposal by the Chancellor and/or Executive Vice Chancellor. To effectively manage and prioritize the workload of proposal review, the Committee employs three methods of review:

   i. Review Delegated to the Budget Office
      If the proposal meets all the criteria for delegated review (see below), the Budget Office has the option of recommending approval of the proposal to the Executive Vice Chancellor, without need of further review by the Income and Recharge Committee. Please note however that the Budget Office may still judge that a proposal requires Committee review, despite the proposal’s meeting the criteria for a delegated review.

   ii. Review as a Consent Agenda Item
      The Budget Office may forward a rate and recharge proposal to the Income and Recharge Committee for review as part of the Committee’s “Consent Agenda”. Under this method of review, the full recharge proposal is routed
to each member of the Income and Recharge Committee, along with a summary of the proposal and a recommendation for approval that is prepared by the Budget Office. Upon completion of their individual reviews, Committee members may request that a proposal be pulled from the Consent Agenda. The proposal will then be considered at a regularly scheduled meeting of the Committee, with an in-person presentation of the proposal by the department. However if there are no such requests from Committee members, the proposal will be forwarded to the Executive Vice Chancellor with a recommendation from the Committee for final campus approval.

iii. Review as a Meeting Agenda Item

Under this method of review, a rate and recharge proposal is considered by the Income and Recharge Committee at a scheduled meeting. Committee meetings are held on an as needed basis and are open to anyone who wishes to attend. From April through August as many as two to three meetings per month may be required. From September through March the average is one meeting per month. Meetings typically last between one and two hours. Staff from the proposing department make a brief presentation to the Committee and answer any questions the Committee may have. Once all issues have been resolved to the Committee’s satisfaction, the proposal is forwarded to the EVC and/or Chancellor for final campus approval.

The chosen method of review will in general depend on the proposal’s “Recharge Risk Assessment” as shown in the matrix exhibit below.

<table>
<thead>
<tr>
<th>ANNUAL BUDGET RANGE</th>
<th>FEDERAL SHARE OF INCOME AND RECHARGE</th>
<th>RECHARGE RISK ASSESSMENT AND METHOD OF REVIEW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Federal Participation Less Than 10%</td>
<td>Low Risk, Delegated Approval by Budget Office</td>
</tr>
<tr>
<td>Less than $50,000</td>
<td>Federal Participation 10% to 50%</td>
<td>Low - Medium Risk, Delegated Approval or Consent Item</td>
</tr>
<tr>
<td></td>
<td>Federal Participation Greater than 50%</td>
<td>Medium Risk, Consent Agenda Item</td>
</tr>
<tr>
<td>$50,000 to $250,000</td>
<td>Federal Participation Less Than 10%</td>
<td>Low - Medium Risk, Delegated Approval or Consent Item</td>
</tr>
<tr>
<td></td>
<td>Federal Participation 10% to 50%</td>
<td>Medium Risk, Consent Agenda Item</td>
</tr>
<tr>
<td></td>
<td>Federal Participation Greater than 50%</td>
<td>Medium - High Risk, Meeting Agenda Item with Presentation</td>
</tr>
<tr>
<td>Greater than $250,000</td>
<td>Federal Participation Less Than 10%</td>
<td>Medium - High Risk, Meeting Agenda Item with Presentation</td>
</tr>
<tr>
<td></td>
<td>Federal Participation 10% to 50%</td>
<td>Medium - High Risk, Meeting Agenda Item with Presentation</td>
</tr>
<tr>
<td></td>
<td>Federal Participation Greater than 50%</td>
<td>High Risk, Meeting Agenda Item with Presentation</td>
</tr>
</tbody>
</table>

As the matrix illustrates, proposals with a larger annual budget are more likely to be placed on the Committee’s Meeting Agenda where a presentation from the department is required. Likewise, programs where the federal share in overall income and recharge is high are more likely to be placed on the Committee’s Meeting Agenda. Other proposals with more modest annual budgets and a smaller Federal participation are more likely to be reviewed on the Committee’s Consent
2. **Delegated Review by the Budget Office** — Rate proposals from programs with a very narrow user base may be reviewed by the Budget Office under delegation from the I&R Committee, so long as users have been fully consulted as part of the rate development. Such proposals typically provide very specialized technical services.

All other proposals may receive a delegated review by the Budget Office if a preliminary analysis shows that they meet each of the following conditions:

(a) The department proposes no material change in rate calculation or costing methodology.

(b) Any policy compliance issues that are present, such as surpluses or deficits that exceed tolerance levels, have been addressed in the proposal.

(c) Proposed rate increases are minimal and adhere to normal inflationary factors anticipated widely within the University community, such as increases for salary and benefits.

(d) Any new services proposed for rate and recharge approval represent a minor percentage of the overall recharge budget (less than 10%).

(e) The proposed rates have been reviewed by the Income and Recharge Committee — either as a Consent Agenda item or a Meeting Agenda item — at least once within the prior 5 years.

(f) A rate and recharge proposal was submitted to the Budget Office for review in the prior year.

(g) The rates proposed for approval are for services provided principally to campus departments, or to unaffiliated external users. Proposals for Student Fees (such as course material fees) and other rates charged directly to students, faculty, and staff (such as Child Care user fees) require review on the Committee’s regular Meeting Agenda, including a presentation by the department proposing the fees.

Proposals that do not meet the conditions for delegated approval will be forwarded to the Income and Recharge Committee for review either as a Consent Agenda item or Meeting Agenda item.
SECTION 5 - DEFINITIONS

**Academic Department** - Any department of instruction and/or research including Organized Research Units.

**Academic Department Support Unit or Academic Support Unit** - Any activity organized within an academic department to provide and charge for, goods and/or services primarily to that and other academic units on the campus.

**Amortization** - Retirement of an obligation by making payments of principal and interest over a period of time.

**Auxiliary Enterprise** - Self-supporting activity which provides non-instructional support in the form of goods and services to students, faculty and staff upon payment of a user charge or fee. The general public is served only incidentally.

**Central Administrative Units** - Units within the Administrative Services function which provide specific identifiable services to campus activities and are predominantly supported by general funds.

**Deficit** - Funding shortfall resulting from income being less than the expenses to provide a service.

**Departmental Subsidy** - The funding of a good or service by a department in order to reduce the cost to a user.

**Depreciation** - Decline in the value of a physical asset resulting from usage and age. The Straight-line method of depreciation allocates total cost of the asset over its lifetime with the asset losing the same proportion of its total value each year of its service life. Contact the campus Accounting Office regarding depreciation questions.

**Depreciation Reserve** - Record of a valuation reserve which indicates the reduced value of a fixed asset. Check with the campus Accounting Office regarding depreciation reserves.

**Direct Costs** - Costs that can be consistently and specifically identified with the furnishing of goods or services by a unit. Examples of such costs are salaries, employee benefits, costs of materials, maintenance agreements, and supplies.

**Income** - Revenue generated from sales to non-university clientele.

**Income and Recharge Committee** - Committee responsible for working through a variety of issues related to setting rates for services and/or goods on campus.

**Indirect Costs** - Costs that cannot be readily identified with or related to a specific enterprise. These costs are related to the services generally provided without direct charge by central campus units.
Non-University Differential (NUD) – An additional amount charged to non-University clients that is in excess of the pure cost recovery amount charged to University or “on campus” users. All recharge programs are authorized to charge a non-University differential mark-up on campus recharge rates that is equal to the current negotiated indirect cost recovery rate with the Federal government. NUD markup rates in excess of the federal indirect cost recovery rate require Income and Recharge review. Proceeds from the Non-University Differential markup must be segregated from the recharge income fund, and may be used for equipment purchasing and other purposes that are not allowable from ordinary recharge income funds.

Operating Costs - Expenditures benefiting a single period which are necessary to conduct normal business. Examples of operating costs include employee wages and benefits, supplies, and equipment maintenance.

Productive Hours - The number of hours per employee which annually can be directly attributed to the provision of goods and services. Excludes vacation, holiday sick leave, and other official days off. Although indirect costs are not readily identifiable with the provision of particular goods or services by an activity, they benefit and are properly allocable to an activity.

Productive Rate of Pay - The effective labor billing rate for the sum of wage and wage-related costs to be recovered divided by the productive hours.

Rate - A unit of value based on an established standard pricing method as developed under the recharge function for goods and/or services supplied to authorized individuals or groups.

Recharge - The assessment and collection by one campus department or unit of an approved charge for goods and/or services, based on an identifiable unit of measure, furnished to another campus unit. In general, a recharge reflects the sale of goods and services by one department to another. For University financial reporting a recharge is considered to be a cost redistribution.

Recharge Income - The credit received by a unit which furnishes goods and services to another unit. In general, the credit is equivalent to revenue from the sale of goods or services.

Service Enterprises - Service departments which provide a specific type of service to various institutional departments, rather than to individuals, and which have operating costs supported by recharges to the departments receiving the services.

Surplus - Occurs when income exceeds the expenses associated with a particular good or service.

Unrelated Business Income - A type of other income resulting from sales of goods or services to individuals or non-University entities. If sales are not substantially related to University educational or research purposes, proceeds from the sales are considered to
be unrelated business income and are subject to Federal income tax reporting requirements. Examples include income from sales of machine shop services and computing services to non-University entities.

**Variable Costs** - Those costs that fluctuate up or down based on service demands.