

UC Davis Policy and Procedure Manual

Chapter 340, Rates, Recharges, and Sales Activities

Section 25, Recharge Activities

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Responsible Department: Budget and Institutional Analysis

Source Document: UC Business and Finance Bulletin A-56, Academic Support Unit Costing and Billing Guidelines; A-59, Costing and Working Capital for Auxiliary and Service Enterprises

I. Purpose

- A. This section describes the policy and procedures for establishment, approval, operation, and review of recharge activities.
- B. The following activities are not considered recharge activities and are not subject to this policy:
 - 1. Auxiliaries and activities that rely on rates subject to a review and approval process external to the University.
 - 2. Services or functions of a department that are within the scope of their core-funded (typically General Fund or Student Services Fee supported) activities.
 - 3. Activities that involve a one-time distribution or transfer of expenses (see Business and Finance Bulletin A-47, Section V), or activities that serve only one customer.
 - 4. Activities that contain charges that cannot be readily calculated on a per unit or per hour basis, or where the good or service is not offered on a recurring basis to more than one customer (see Section 340-21).

II. Definitions

- A. Direct costs—costs that can be specifically identified with a recharge activity and that can be directly assigned to such activities relatively easily and accurately.
- B. Indirect costs—costs of conducting business that cannot be identified readily and specifically with a particular recharge activity.
- C. Recharge activity—an activity that provides specific, ongoing, repetitive goods or services to campus units on a fee basis.

III. Policy

- A. Recharge activities can be established to satisfy an ongoing demand by more than one unit for a good or service that cannot effectively be met by an alternative source or by a non-university provider.
- B. Recharge activities shall not be provided to non-university customers unless the activity is related to the University's mission of teaching, research, or public service, and services to University customers will not be impaired.
 - 1. If services are provided to non-university customers, the unit must recover indirect costs by assessing the non-university differential (NUD). Units may also charge a markup in excess of direct and indirect costs provided that the full NUD is already being assessed. (See the Business and Institutional Analysis (BIA) Web site for exceptions to charging the NUD and details on including a markup).

2. Activities that involve federal contracts and grants collect indirect costs via the Facilities and Administrative (F&A) cost rates, which are negotiated between UC Davis and the Department of Health and Human Services.
- C. The Associate Vice Chancellor—BIA may choose to review any recharge activity, regardless of the review schedule, to ensure the activity is in compliance with the policies and procedures associated with recharge activities.

IV. Roles and Responsibilities

- A. The unit implementing the recharge activity:
1. Develops the justification, rates, and budget for the recharge activity.
 2. Manages the activity to recover the full direct costs of providing the goods and services through an allowable, reasonable, identifiable rate to ensure that the activity operates on a break-even basis.
 3. Seeks approval through the Vice Chancellor/Vice Provost/Dean before establishing or modifying a recharge activity.
- B. Vice Chancellor/Vice Provost/Dean:
1. Ensures that proposed and existing recharge activities conform to all university policies and regulations.
 2. Approves or recommends approval to the Associate Vice Chancellor – BIA for the establishment and modification of activities as prescribed by BIA (see the Office with Final Approval).
 3. Maintains documentation related to the establishment, modification, or termination of recharge activities under his/her jurisdiction.
 4. Recommends a representative to serve on the Service Activities Recharge Advisory Group.
- C. Associate Vice Chancellor—BIA:
1. Approves the establishment and modification of activities as defined by the [Office with Final Approval](#).
 2. Appoints representatives to the Service Activities Recharge Advisory Group and the Federal Costing Advisory Group.
- D. BIA:
1. Reviews proposals submitted to the Associate Vice Chancellor—BIA for approval.
 2. Reviews the financial performance of all activities on an annual basis.
 3. Maintains a schedule of activities to be reviewed by the Recharge Group and Federal Recharge Group every 3-5 years.
- E. The Office of Costing Policy and Analysis provides guidance to the Federal Costing Advisory Group and BIA regarding the proper and consistent treatment of costs charged to federal contracts and grants.
- F. The Service Activities Recharge Advisory Group (Recharge Group):

1. Is comprised of a representative from each vice chancellor/vice provost/dean's office (generally for three year terms), and individuals from Accounting and Financial Services and BIA.
 2. Advises the Associate Vice Chancellor—BIA regarding approval of high-risk activities (see the [Recharge Activity Risk Matrix](#)).
 3. Reviews high-risk activities every 3-5 years.
- G. The Federal Costing Advisory Group (Federal Recharge Group):
1. Is a subset of the Recharge Group, consisting primarily of individuals from BIA and Accounting and Financial Services.
 2. Reviews activities that provide services or goods primarily to federal customers.
 3. Advises BIA regarding activity compliance with regulations and guidelines specific to federal customers.

V. Procedures

- A. Approval for new and existing activities
1. The unit responsible for the activity completes the Rate Proposal Documents and submits to the appropriate Vice Chancellor/Vice Provost/Dean.
 2. The Vice Chancellor/Vice Provost/Dean reviews the packet, and if appropriate, approves the activity (see the [Office with Final Approval](#)).
 3. If the activity cannot be approved by the Vice Chancellor/Vice Provost/Dean, the packet is forwarded to the Associate Vice Chancellor—BIA for review and approval (see the [Office with Final Approval](#)).
 4. Approval is communicated to the unit responsible for the activity.
- B. Refer to the [Detailed Guidelines for Recharge Activities and Rates](#) for specific instructions on developing recharge activities and rates.

VI. Further Information

Additional information is available at <http://budget.ucdavis.edu/rates>.

VII. References and Related Policies

- A. Office of the President Business and Finance Bulletins:
1. [A-47, University Direct Costing Procedures](#)
 2. [A-56, Academic Support Unit Costing and Billing Guidelines](#)
 3. [A-59, Costing and Working Capital for Auxiliary and Service Enterprises](#)
- B. UCD Policy and Procedure Manual:
1. [Section 330-05](#), Business Contracts.
 2. [Section 330-24](#), Budgeting for Employee Benefits.
 3. [Section 330-55](#), Departmental Cashiering Operations.
 4. [Section 340-09](#), Sales and Reimbursement of University Supplies and Services.
 5. [Section 340-20](#), Billing Procedures of Service Activities.

6. [Section 340-21](#), Service Agreements between Campus Units.
 7. [Section 350-60](#), Management of Supply Inventories.
- C. Budget and Institutional Analysis Rate Materials at <http://budget.ucdavis.edu/rates>.
1. [Risk Matrix for Recharge Activities](#)
 2. [Office with Final Approval](#)
 3. [Detailed Guidelines for Recharge Activities and Rates](#)
- D. Code of Federal Regulations Title 2, Section 220, Cost Principles for Educational Institutions (also known as [OMB Circular A-21](#)).
- E. National Center for Research Resources, Cost Analysis and Rate Setting Manual for Animal Research Facilities (http://www.ncrr.nih.gov/publications/comparative_medicine/CARS.pdf).