

UC Davis Policy and Procedure Manual

Chapter 340, Rates, Recharges, and Sales Activities

Section 25, Recharge and Rate Based 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, modification, termination, approval, operation, and review of recharge and other rate based income-producing 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](#)), 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.

II. Definitions

- A. Depreciation—the decline in an item's value due to factors such as age and use.
- B. 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.
- C. Indirect costs—costs of conducting business that cannot be identified readily and specifically with a particular activity.
- D. Office with Final Approval—the office authorized to approve new recharge activities or rate modifications to existing recharge activities.
- E. Recharge—a method of internal cost re-distribution between campus units and departments providing and receiving goods and services.
- F. Recharge activity—an activity that provides specific, ongoing, repetitive goods or services to campus units on a fee basis.
- G. Reserve for Improvement (RFI)—funds generated by an income-producing activity and set aside for future use.

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 are not provided to non-university customers unless the activity is related to the University's mission of teaching, research, or public service, and where 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 if the full NUD is already being assessed. (See the [Budget and Institutional Analysis \(BIA\) Web site](#) for exceptions to charging the NUD and details on including a markup).
 - 2. Activities involving federal contracts and grants collect indirect costs via the Facilities and Administrative (F&A) cost rates negotiated between UC Davis and the Department of Health and Human Services.
- C. Annual expenditures to revenue reconciliation must be performed at least every two years to determine any necessary rate adjustments.
- D. RFI may not be included in rates with over \$50,000 federal revenue or 15% of total revenue received from federal funds.

IV. Roles and Responsibilities

- A. Recharge Activity Unit—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. Performs expenditure to revenue reconciliations at least biennially to include prior over or under recovery into price adjustments.
 - 4. Submits all proposals to establish or modify a recharge activity to the Vice Chancellor/Vice Provost/Dean office for approval.
 - 5. Maintains current rate information in the accounting system.
 - 6. Records equipment in the accounting system for recharge activities that include depreciation of assets with an acquisition value of \$5,000 or greater in the rates.
 - 7. Bills customers for services performed on a monthly basis or other approved schedule.
- B. Vice Chancellor/Vice Provost/Dean Office
 - 1. Ensures that proposed and existing recharge activities conform to all University policies and regulations.
 - 2. Reviews and approves both new recharge rates and modifications to an existing rate for low-risk recharge activities. (See [Office with Final Approval.](#))
 - 3. Reviews and forwards, both new recharge rates and modification to existing rates for high-risk and mandated activities to the Senior Associate Vice Chancellor—Finance and Resource Management (FRM) via Budget and Institutional Analysis (BIA) and Research Accounting for review and approval.
 - 4. Maintains documentation related to the establishment, modification, or termination of recharge activities under their jurisdiction.

5. Recommends a representative to serve on the Recharge Rate Committee.
- C. Senior Associate Vice Chancellor—Finance and Resource Management (FRM)
1. Approves the establishment and modification of mandated and high-risk recharge activities.
 2. Approves the inclusion of RFI in any recharge activity rates.
 3. Appoints representatives to the Recharge Rate Committee.
 4. Requests the review of any recharge activity, regardless of the review schedule, to ensure the activity complies with the policies and procedures associated with recharge activities.
- D. Budget & Institutional Analysis (BIA)
1. Reviews proposals from the Vice Chancellor/Vice Provost/Dean submitted to the Senior Associate Vice Chancellor—FRM for all rates except those that are subject to review by Research Accounting.
 2. Reviews the financial performance of recharge activities on an annual basis.
 3. Maintains a schedule of activities to be reviewed by the Recharge Rate Committee. Existing activities are reviewed every 3-5 years and new activities on an ad-hoc basis.
 4. Advises the Senior Associate Vice Chancellor—FRM of acceptance of the existing rate modification and new rate modifications as outlined in the [Office with Final Approval](#).
- E. Research Accounting
1. Reviews proposals from the Vice Chancellor/Vice Provost/Dean submitted to the Senior Associate Vice Chancellor—FRM for any rate that will generate more than \$50,000 in recharge from contracts and grants.
 2. Reviews the financial performance and compliance with federal and University policy for recharge activities that provide over \$50,000 of service to contracts and grants.
 3. Maintains a schedule of recharge activities that provide over \$50,000 of revenue to contracts and grants.
 4. Advises the Senior Associate Vice Chancellor—FRM of the acceptance of the contracts and grants recharge activities.
- F. Recharge Rate Committee (Service Activities Recharge Advisory Group)
1. Is comprised of a representative from each Vice Chancellor/Vice Provost/Dean office (generally for three year terms), and individuals from Accounting and Financial Services, Research Accounting, and BIA.
 2. Advises the Senior Associate Vice Chancellor—FRM regarding approval of mandated services, sole provider services, or other services provided to a campuswide set of users.
 3. Reviews existing mandated recharge activities every 3-5 years and any new activities as they are established, ensuring compliance and general campus acceptability of proposed rate.

V. Procedures

- A. Establishing a new recharge rate
1. The Recharge Activity Unit consults with the Vice Chancellor/Vice Provost/Dean on the proposed recharge activity for preliminary approval.

2. The Recharge Activity Unit completes the [Rate Proposal Documents](#) and submits them to their Vice Chancellor/Vice Provost/Dean office.
 3. For low-risk activities, the Vice Chancellor/Vice Provost/Dean office reviews the packet and approves the activity. (See [Office with Final Approval](#).)
 4. For high-risk or mandated activities, the Vice Chancellor/Vice Provost/Dean office forwards the packet to recharge@ucdavis.edu for review by BIA, Research Accounting, and if needed the Recharge Rate Committee. (See [Office with Final Approval](#).)
 5. BIA, Research Accounting and/or the Recharge Rate Committee, reviews the packet for campus compliance and advises the Senior Associate Vice Chancellor—FRM on approval.
 6. The Senior Associate Vice Chancellor—FRM reviews and communicates the approval status to the Recharge Activity Unit and General Accounting.
 7. All accounting elements such as fund numbers and object codes will be set-up by General Accounting as needed.
- B. Modifications to an existing recharge rate
1. For rate modification consistent with existing price rationale and existing budget planning guidelines, the Recharge Activity Unit completes the [Rate Proposal Documents](#) and submits them to their Vice Chancellor/Vice Provost/Dean office for final approval.
 2. For rate modification not consistent with existing price rationale and existing budget guidelines, the Recharge Activity Unit completes the [Rate Proposal Documents](#) and submits them to their Vice Chancellor/Vice Provost/Dean office for review.
 3. The Vice Chancellor/Vice Provost/Dean reviews the completed Rate Proposal Documents and forwards them to BIA, Research Accounting and/or Recharge Rate Committee.
 4. BIA, Research Accounting and/or the Recharge Rate Committee, reviews the packet for campus compliance and advises the Senior Associate Vice Chancellor—FRM on approval.
 5. The Senior Associate Vice Chancellor—FRM reviews and communicates approval status to the Recharge Activity Unit and General Accounting.
 6. If needed, new accounting elements such as fund numbers and object codes will be set-up by General Accounting.
- C. Closing a recharging activity
- To close a recharge activity, the Recharge Activity Unit consults with the Vice Chancellor/Vice Provost/Deans office, BIA, and Research Accounting.
- D. Refer to the [Detailed Guidelines for Recharge Activities and Rates](#) for specific instructions on developing and managing recharge activities and rates.

VI. Further Information

- A. Additional information and materials are available at [Budget & Institutional Analysis, Recharge Activities and Rates](#).
- B. Additional questions can be directed to recharge@ucdavis.edu.

VII. References and Related Policies

- A. Office of the President Business and Finance Bulletins:

1. [A-47, 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. UC Davis Policy and Procedure Manual:
1. [Section 330-05](#), Business & Revenue Contracts.
 2. [Section 330-55](#), Departmental Cashiering Operations.
 3. [Section 340-09](#), Sales of University Goods and Services to Non-University Users.
 4. [Section 340-20](#), Billing Procedures of Service Activities.
 5. [Section 350-60](#), Management of Major Supply Inventories.
- C. [Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.](#)
- D. [National Center for Research Resources, Cost Analysis and Rate Setting Manual for Animal Research Facilities.](#)