



# BFB-A-56: Academic Support Unit Costing and Billing Guidelines

<b>Responsible Officer:</b>	EVP - Business Operations
<b>Responsible Office:</b>	FO - Financial Operations
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<b>Effective Date:</b>	9/30/2008
<b>Scope:</b>	This policy applies to all Campuses, and Agriculture and Natural Resources. It does not apply to the Medical Centers, and Lawrence Berkeley National Laboratory.

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## I. POLICY SUMMARY

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This bulletin provides guidelines for establishing the costs of goods and services which are to be recharged to extramural and University funded activities by academic department support units.

It also provides standards to achieve compliance with University policies and federal government regulations for assessing costs to each user of those goods or services and for assuring equitable treatment regardless of financial sponsor.

## II. DEFINITIONS

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

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

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

**Productive Hours** - The number of hours per employee which annually can be directly attributed to the provision of goods or services. This excludes the hours allowed for vacation, holiday, sick leave, jury duty, military leave, and clean-up activities.

**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.

**Recharge** - The assessment and collection by one University department of a charge for goods or services furnished to another University department/unit.

## III. POLICY TEXT

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### A. GUIDELINES

Any academic department support unit which has recharges and/or income of \$200,000 or more in one fiscal year, except as provided in B below, shall have a specific fund number assigned for the activity and shall recover its costs as described in [Business and Finance Bulletin A-47](#), and Sections 1-8, below. It is expected that units generating less than \$200,000 annually in recharges and/or income will adhere to the general principles of costing and billing as set forth in this bulletin and [Business and Finance Bulletin A-47](#) in order to substantiate charges made to federal grants and contracts and other fund sources.

1. All readily identifiable costs associated with the furnishing of goods or services, except for incidental administrative support such as clerical and secretarial assistance or minimal supervisory assistance that is not significant in time or dollar value shall be assigned and recorded in the specific fund account. Costs incurred and assigned to the activity must be essential to the purpose for which the activity has been established. These shall consist of wages, wage-related costs, supplies, materials and equipment depreciation. Non-current expenditures such as for equipment acquisitions or facility modifications may not be charged to current operating funds.
2. Any inventorial equipment assigned to the activity other than that furnished by the Federal government 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 unless it can be demonstrated that some other method is

more appropriate. A depreciation reserve fund to be used for equipment replacements shall be established and credited with the amounts charged to operations for depreciation expense.

3. Appropriate wage-related costs shall include provision for leave benefits. Amounts generally shall be based upon the estimate of actual costs of such benefits expected to be used during each year of operations. However, a reserve may be established where it is preferable to accrue vacation and sick leave benefits. Such reserve, however, must be reviewed periodically and adjusted appropriately to reflect actual experience in paying for such benefits.
4. Recharge rates shall be based on allowable costs. 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. All users of goods and services must be charged at established rates. The productive rate of pay shall be based on a reasonable estimate of productive hours.
5. Recharge activity shall be operated on a no-gain/no-loss basis. Any surplus or deficit occurring in any one year shall be corrected by adjustment of rates in the succeeding year to achieve a break-even balance at the succeeding year end. Every effort should be made to ensure that year-end surpluses or deficits do not exceed one month of the recharging unit's activity. The adjustment of rates will generally be based on estimates since actual performance data for the year will not be available prior to the development and publication of the succeeding year's recharge rates. In exceptional cases when such an adjustment would create a severe fluctuation in rates from one year to the next, achievement of a break-even balance can be extended for a reasonable period beyond the succeeding year upon approval by the local campus recharge review committee. The local campus recharge review committee may also approve the maintenance of surpluses in excess of one month of the recharging unit's activity when appropriate.
6. Budget allocations to users shall give consideration to increased costs of recharge operations such as those resulting from merit, range, and staff benefit adjustments and for price increases. Any relief to users of recharge activities, such as a subsidy for instructional use of computers, should be provided through a central allocation of discretionary funds to the users which will permit the recharge activity to charge the established rate for goods or services based on its full costs.
7. During the year, the cash balance of recharge activities shall participate in the current fund Short-Term Investment Pool (STIP). Distribution of the interest earned shall be in accordance with the procedures set forth in [Business and Finance Bulletin A-60, Short-Term Investment Pool Distribution of Income](#).

8. 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 be in competition with commercial sources. In this regard, attention is directed to University Regulation #4 (APM 020) which provides that:

*University . . . facilities are not to be used for tests, studies, or investigations of a purely commercial nature . . . except when it is shown conclusively that satisfactory facilities and such services do not exist elsewhere. Those requiring such . . . services should apply to business firms or to such public agencies as the State Division of Mines, State Department of Agriculture, or the State Food and Drug Laboratory, etc.*

Sales to outside consumers as a part of the total operating program of an individual activity shall receive appropriate approvals at the campus level. The charge established shall recover full University costs, both direct and indirect. Indirect costs shall include appropriate amounts for campus overhead costs.

Guidelines for determination of such amounts to be recovered shall be provided by the local campus Budget Office. Funds representing recovered indirect costs shall be retained by the campus and shall be transferred out of the current operating fund of the recharge activity as received and accumulated in a reserve account. Allocation of the funds in the reserve account shall be under the control of the Chancellor.

## **B. EXCEPTIONS**

1. Exceptions to these guidelines are authorized where recharge operations are primarily for instructional support and provide services for which charges to Federal grants and contracts do not exceed 15% of the total recharges of the activity, or where income is received for providing a patient treatment outside of University hospitals or clinics which is billed at a commonly used patient fee schedule for professional services.
2. These guidelines do not apply to the major Department of Energy Laboratories.

## **C. SALARY INCREASES AND BENEFITS FUNDED BY GENERAL FUNDS**

Until July 1, 1986, employee benefits, merit increases, and salary range adjustments were provided for all budgeted salaries supported by the General Fund. Beginning July 1, 1986, the Office of the President no longer provided benefits, merit increases, or range adjustments for employees supported from General Fund recharges. Campuses should increase the appropriate recharge budgets or reallocate existing campus General Funds to fund any increases in the budgeted salaries of positions supported from General Fund recharges.

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#### **IV. COMPLIANCE / RESPONSIBILITIES**

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Please see [Section III Policy Text](#) for Compliance Responsibilities

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#### **V. PROCEDURES**

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Please see [Section III Policy Text](#) for Procedures

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#### **VI. RELATED INFORMATION**

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[Contracts and Grants Manual](#)

[Business and Finance Bulletin A-47](#)

[Business and Finance Bulletin A-60](#)

Office of Management and Budget Circular A-21

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#### **VII. FREQUENTLY ASKED QUESTIONS**

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Not Applicable

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#### **VIII. REVISION HISTORY**

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01/28/2015 – Technical Update - Reformatted into the official UC Policy Template