Getting Started with Self-Supporting Activities

“What if we don’t change at all ... and something magical just happens?”

Accounting and Financial Services (A&FS)
Budget and Institutional Analysis (BIA)
Agenda

• Course Objectives
• Introductions
• **Section 1** – What are self-supporting activities and why do we have them?
• **Section 2** – What you need to know before setting up an activity
• **Section 3** – Setting up an activity
• **Section 4** – How do I conduct my activity?
• **Section 5** – Staff Development Classes and Resources

• A&FS and BIA
Course Objectives

- Identify self-supporting activities
  - Differentiate between types of activities
  - Recognize where your activity fits in
- How to develop rates
  - Understand cost components
- Know the approval process
- Establish and maintain financial accountability
- What to do after the activity is set up
What to expect

• Start and end times
• Breaks
• Course content:
  o Mix of lecture, discussion and exercises
Getting to know you

• Name
• Department
• How long have you been on campus?
• Your role in self-supporting activities
• Anything specific you came to learn?
Section 1

What are self-supporting activities and why do we have them?
Definitions
What is a Self-Supporting Activity?

- Products or services are provided, for a fee, by campus departments
- An activity functioning as a non-profit business.
- An activity that collects revenue sufficient to cover all costs.
- Services offered are necessary to advance the educational, research, or public service functions of the university.
What is not a Self-Supporting Activity?

• Agency Accounts
  
  o Established to record activity that is performed on behalf of an external entity.
  
  o Purpose: Individual/group using an agency account can use University services that require an account (e.g., purchasing, accounts payable).
  
  o The University does not have ownership of the funds.
  
  o The fund provider will cover deficits and take back excess funds.
What are the Activity Classifications?

- A&FS and BIA
Auxiliary Enterprise

- Provides non-instructional support to students, faculty and staff.
- Examples: Bookstore and Residence Hall
Service Enterprise

• Provides service to campus departments and operating costs are primarily supported by recharges.

• Examples: Storehouse and Fleet Services
Sales and Services of Educational Activity

• Income producing activities operated by academic departments in connection with the training of students or support of research activities.

• Examples: Crocker Nuclear Laboratory Services, Dental Clinics.
Teaching Hospital Activity

- Revenue-producing activities operated by teaching hospitals that support the clinical teaching and research programs.
Other Activities

- Other sources include income sources which do not fall naturally into any of the other classifications. Primarily sales and services from non-academic departments.

- Examples: Patents (OTHER) or Research Conferences (OTHUNV).
Why is classifying the activity important?

• Describes the fund source that is used for reporting
Section 2
What you need to know before setting up an activity
Identifying Possibilities

Before you develop a rate you need to assess the activity

Market Assessment Questionnaire can be used to assess:

- **Core support issues**
  - Can’t move General Fund positions without BIA approval
- **Relationship to department mission**
  - Unrelated Business Income Tax may apply
- **The market potential**
- **Start-up costs**
Rate Set-Up

What do I need to know?

• How to Identify costs
• Who are your customers
• How to use the rate worksheets
• Know compliance areas
Identifying Costs

The following must be identified for each activity:

- Direct Costs
- Indirect Costs
Direct Costs

- Costs that can be directly and consistently traced to the product or service.
- Examples
  - Personnel costs
    - General Administration, if >5% effort
  - Materials for the end product
  - Equipment Depreciation
Indirect Costs

• Costs of conducting business that are incurred for common or joint objectives.

• Cannot be identified readily and specifically with particular projects or a specific activity.

• Examples
  o Campus Administration
  o Campus Operations and Maintenance of Plant (OMP)

• Indirect costs must be charged to non-university clients by assessing the NUD.
You Mentioned NUD

NUD is........
You Mentioned NUD?

• NUD stands for Non-University Differential.

• Based on the Federal Facilities and Administrative (F&A) Cost Rate and changes as that rate changes.

• Complies with federal costing guidelines:
  o Recovers full costs (direct and indirect).
  o Consumers must be charged no less than what the Federal Government is charged on contracts and grants.
How is the NUD calculated?

- The F&A Sponsored Project Rate is the basis for calculation.
- Two NUD rates are available
- Full NUD
  - Deducts services typically not utilized by outside clients
  - Department receives percentage back for departmental administration.
How is the NUD calculated?

- Reduced NUD
  - Flat rate of 8%
  - Activity does not have federal clients.
  - Benefits the research mission
  - Application of the full NUD would have a detrimental effect on the unit's ability to realize the research benefits.
**How is the NUD rate calculated?**

<table>
<thead>
<tr>
<th>Facilities and Administration (F&amp;A) Sponsored Program Rate</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Depreciation</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.7%</td>
<td>2.7%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Equipment</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Building Interest</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Operations and Maintenance of Plant (OMP)</td>
<td>7.4%</td>
<td>7.7%</td>
<td>8.0%</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Library</td>
<td>0.6%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>General Administration</td>
<td>4.9%</td>
<td>5.3%</td>
<td>5.3%</td>
<td>5.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Department Administration</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Sponsored Project Administration</td>
<td>3.1%</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
<tr>
<td><strong>Total Facilities and Administration Cost Rate</strong></td>
<td>37.0%</td>
<td>38.0%</td>
<td>38.5%</td>
<td>39.0%</td>
<td>39.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Campus Non-University Differential (NUD) Rate</th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Facilities and Administration Cost Rate</td>
<td>37.0%</td>
<td>38.0%</td>
<td>38.5%</td>
<td>39.0%</td>
<td>39.0%</td>
</tr>
<tr>
<td>Less components that are not typically utilized by outside clients:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>-0.6%</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>-0.7%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Sponsored Project Administration</td>
<td>-3.1%</td>
<td>-3.2%</td>
<td>-3.2%</td>
<td>-3.3%</td>
<td>-3.3%</td>
</tr>
<tr>
<td>Equipment</td>
<td>-1.3%</td>
<td>-1.3%</td>
<td>-1.3%</td>
<td>-1.3%</td>
<td>-1.3%</td>
</tr>
<tr>
<td><strong>Campus Full NUD Rate</strong></td>
<td>32.0%</td>
<td>32.8%</td>
<td>33.3%</td>
<td>33.7%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>

**The NUD is allocated as follows:**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Retains</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>16.2%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Central Administration Receives</td>
<td>16.0%</td>
<td>16.8%</td>
<td>17.3%</td>
<td>17.5%</td>
<td>17.5%</td>
</tr>
<tr>
<td><strong>Campus Full NUD</strong></td>
<td>32.0%</td>
<td>32.8%</td>
<td>33.3%</td>
<td>33.7%</td>
<td>33.7%</td>
</tr>
</tbody>
</table>
How does the NUD appear in my ledger?

Remember to update your departmental rates with the new NUD rate each year!

- Department benefits from higher return.
- Quarterly process assumes that you have charged the higher rate.

(Credit)
- Only if full NUD is charged
The calculation

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Step 2</th>
<th>Step 3</th>
<th>Step 4</th>
<th>Step 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (includes 32% NUD)</td>
<td>Total NUD 32%</td>
<td>Total Direct Cost, TDC, (Actual income less NUD)</td>
<td>Campus NUD @ 16.0%</td>
<td>Department NUD @ 16.0%</td>
</tr>
<tr>
<td>Object 0060</td>
<td>Object 0066</td>
<td>Object 0076</td>
<td>Object 0076</td>
<td>TDC, Campus NUD, Department NUD = Original Income Amount</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Calculation</th>
<th>Total in INCO</th>
<th>Total-(Total/1.32)</th>
<th>Total-Total NUD</th>
<th>TDC/.16</th>
<th>TDC/.16</th>
</tr>
</thead>
<tbody>
<tr>
<td>July-September</td>
<td>792.00</td>
<td>192.00</td>
<td>600.00</td>
<td>96.00</td>
<td>96.00</td>
<td>792.00</td>
</tr>
</tbody>
</table>
Example...

<table>
<thead>
<tr>
<th>Consolidation</th>
<th>Object Consol. Name</th>
<th>Approp</th>
<th>Expend</th>
<th>Encumb</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>0060 - INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INC0</td>
<td>INCOME</td>
<td>0.00</td>
<td>12,320.00CR</td>
<td>0.00</td>
<td>12,320.00CR</td>
</tr>
<tr>
<td><strong>0060 - INCOME Totals:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>12,320.00CR</td>
<td>0.00</td>
<td>12,320.00CR</td>
</tr>
<tr>
<td><strong>0066 - NUD ASSESSMENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INC0</td>
<td>INCOME</td>
<td>0.00</td>
<td>1,620.79</td>
<td>0.00</td>
<td>1,620.790D</td>
</tr>
<tr>
<td><strong>0066 - NUD ASSESSMENT Totals:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>1,620.79</td>
<td>0.00</td>
<td>1,620.790D</td>
</tr>
<tr>
<td><strong>0076 - NON UNIV DIFFERENTIAL: CENT / DEPT SHARE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INC0</td>
<td>INCOME</td>
<td>0.00</td>
<td>604.37CR</td>
<td>0.00</td>
<td>604.37CR</td>
</tr>
<tr>
<td><strong>0076 - NON UNIV DIFFERENTIAL: CENT / DEPT SHARE Totals:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.00</td>
<td>604.37CR</td>
<td>0.00</td>
<td>604.37CR</td>
</tr>
</tbody>
</table>

Note: Calculations are based on Income totals for a quarter
How is NUD applied?

- Example of how the NUD percentage is added to the recharge rate:
  - Recharge Rate = $10.00
  - Apply Full NUD of 32.0% = $3.20
  - Non-University Client Rate = $13.20
Allowable and Unallowable Costs
Allowable Costs

- All costs charged to the Federal Government must be allowable under OMB A-21 guidelines.

- If unallowable costs are included in rates, they will be rebated to Federal sources by General Accounting.

Is it allowable?

- After reviewing the Charging Practices guide, you are still unsure if a cost is allowable, apply the “Prudent Person Test”.

- What does “prudent” mean?
  - Reasonable
  - Careful

Which hat belongs to a prudent person?
Is it Allowable?

- What questions should a “prudent person” ask?
  - Is it necessary for the operation of the activity?
  - Can the cost be identified specifically to an activity?
  - Is the cost consistent with institutional policies, procedures and practices?
Unallowable

- Costs that cannot be identified readily and specifically to a particular activity.

- Specific line items that are never allowed:
  - Reserve for Improvements
  - General/Auto/Employment Practices Liability (GAEL)
  - Entertainment
  - New equipment and start-up costs

- Administrative and clerical support $\leq 5\%$ annually
Unallowable

- Costs already paid for by the federal government
  - Including depreciation for equipment purchased with federal funds
  - Salaries already included in the F&A rate
Costing Resources: Details, Details!

UC Davis P&P Manual
http://manuals.ucdavis.edu/ppm/contents.htm #340-25

Extramural Accounting Charging Practices for Federally Funded Grants and Contracts

OMB A-21 Circular
http://www.whitehouse.gov/omb/circulars/a021/a021.html
Let’s Test Your Knowledge!

With a Few Questions.....
Would a Prudent Person Include in Rates if Federal clients are Charged?

Coffee service for morning technical staff.
   No, not necessary for the operation of the activity.
Costs for direct supplies used while providing a service.
   Yes
Reserve for improvement to renovate office.
   No, specifically disallowed by the OMB-A21
How about ....

- The bar tab accumulated by graduate students while developing the product.  
  No

- Benefit costs for the Administrative Assistant who does purchasing for the service.
  Yes, if percentage of time is > 5%
To NUD or not to NUD?

• Special reports by A&FS for campus departments only.
  No NUD – only recharged to campus departments

• US Geological Service brings injured snake to UC Davis for surgery
  Yes – Full NUD
To NUD or not to NUD?

- VMTH service needed to provide research data on the growth of tumors in small dogs.
  - Yes - Reduced NUD
  - (must be approved by BIA)

- Chemical cleansing process sold to outside companies
  - Yes – Full NUD
Now you know the cost components.

Let’s talk about how the type of clients can change your rates!

Understanding:
Recharge vs. Income
Internal vs. External
Recharge vs. Income

**Recharge**
- Provide products / services to other UC departments.
  - Kuali Internal billing (IB)
  - Kuali Feed (GLIB)
- Financial object = 3900
- Budget object = SUB9

**Income**
- Provide products / services to non-UC clientele only.
  - Cash (CR)
  - Banner (Invoice)
  - DaFIS A/R (Invoice)
- Financial object = 0060
- Budget object = INCO
Recharge vs. Income

Recharge
• Governed by federal costing guidelines
  o OMB A-21 allowable cost principles.
• Required to recover direct costs.

Income
• Not subject to federal costing guidelines.
• Required to recover all costs; direct and indirect (e.g., NUD).
Recharge vs. Income

**Recharge**
- Limited to operating reserves equal to 15% of annual expenditures.
- Required to consider operating reserves and deficits in pricing rationale.

**Income**
- Can accumulate operating reserves.
Clients

• Internal clients have a university account.

• External or “non-university” clients do not have a university account.
  o Payments are made by check, credit card or cash.
Common to both Recharge and Income Activities

- Rates must be established on a per hour or per unit basis.
- Pricing rationale worksheets are used to itemize and calculate costs.
  - Different rates should be established for different levels of services.
- Base & Current Budgets are required for all self-supporting activities.
Let’s Test Your Knowledge!

With a Few Questions.....
True or False?

UCD attempts to compete with local businesses when a profit can be made.
   False

Self-supporting activities are an effective tool in early retirement planning.
   False

Base & Current Budgets are required for self-supporting activities.
   True
True or False?

External clients pay the non-university differential (NUD).

True

Core support activities can become recharge activities without much consideration.

False
Income or Recharge?

Sale of olive oil to Paesano’s restaurant
  Income

Reprographics printing of department handbook.
  Recharge

Bookstore sells grammar book to Budget Office.
  Recharge
Income or Recharge?

Surgery performed by the VMTH to correct my dog’s “cherry eye”.

Income

Sale of T-shirts to public that were made during class.

Income

• A&FS and BIA
Income or Recharge?

Analytical services charged to a Federal grant for your PI’s research project.

Recharge
In-Class Exercise

• Rate Scenarios

• Decide if a rate can be developed. If not, why?

• Divide into groups of three (if you want).

Time allotted: 10 minutes to complete
10 minutes to discuss

A&FS and BIA
Rate Exercise – Scenarios

- A list of common compliance issues and real scenarios are provided.
- Names have been changed to protect the innocent!
- Read each scenario and decide if they can submit a rate and if not which compliance issue fits the scenario.

1. Agency Account
2. Shifting Core-Support
3. None – Rate can be developed
4. OMB-A21 – unallowable
5. Included in F&A Rate
In-Class Exercise 1 - Answers
• **Scenario One:**
• The Center for Acrobat Science (CAS) is hosting an event sponsored by Cirque de Soele. Cirque de Soele would like to charge a nominal fee to cover basic costs. CAS wants to establish a rate for this event.
• Submit Rate (circle one): Yes or No

**Compliance Issue:**

**AGENCY ACCOUNT**
• **Scenario Two:**

• A campus unit that provides free technical support for a campuswide program wants to offset some of their budget cuts by charging campus units for help desk phone calls.

• Submit Rate (circle one): Yes or **No**

Compliance Issue:

**SHIFTING CORE SUPPORT**
Scenario Three:

The Lab for High Level Testing (LHLT) has developed a new test. This test is very sensitive and very few customers have expressed interest, but LHLT believes that this will become popular once it is available. The clients that have expressed interest are Non-University entities.

Submit Rate (circle one): Yes or No

Compliance Issue:

None-Rate can be developed
• **Scenario Four:**

  - The Analytical Services Lab (ASL) has a special statistics computer that has finished its federal grant cycle. The ASL would like to make it available to other researchers and only wants to cover the cost of replacing this machine by setting up 10 year depreciation. The main clients are other campus departments and other federal contracts and grants.

  - **Submit Rate (circle one):** Yes or **No**

  - **Compliance Issue:** *OMB A-21 – Equipment was purchased with Federal Funds*
• **Scenario Five:**
  - The technology group for flower research has an ace programmer on core funds that is great with web design. Facing budget cuts, the department wants to charge 35% of his time to federal contract and grants.
  - Submit Rate (circle one): Yes or No

Compliance Issue:

**Included in F&A Rate** –
Part of Department Administration costs already included in the overhead rate on the contract or grant.
Discussion

• Any surprises?
• Any questions or comments on different approaches?
Where we have been...

We have learned to:
• Identify and assess opportunities,
• Identify costs,
• Determine allowability of costs,

And Now....
Lets CALCULATE costs.

A&FS and BIA
Developing a Pricing Rationale

- Once costs have been identified, they must be calculated.
What does pricing rationale mean? (also known as rate methodology)

- How were the existing rates calculated?
  - What cost categories were used?
  - How are the costs allocated?

- The Pricing Rationale worksheet helps organize costs. Included in this worksheet:
  - Personnel costs directly supporting the activity
  - Direct materials used in production
  - Indirect or overhead costs – must be able to track and account for costs.
Let’s look at an example

- Molly MSO has completed her market assessment and is ready to develop an hourly rate to charge for servicing specialized lab equipment.
## Step 1: Identify Employee(s) and Billable Hours

<table>
<thead>
<tr>
<th>Rate Calculation per Billable Hours</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note</strong>: shaded cells and rows are either fixed or calculated.</td>
<td></td>
</tr>
<tr>
<td><strong>Rate Name (enter in cell C4):</strong></td>
<td><strong>Fiscal Year</strong></td>
</tr>
<tr>
<td>Specialized Equipment Service</td>
<td>2013-14</td>
</tr>
<tr>
<td><strong>POSITION TITLE:</strong></td>
<td>SB0% Title Here</td>
</tr>
<tr>
<td></td>
<td>Tech II</td>
</tr>
<tr>
<td><strong>BILLABLE HOURS CALCULATION</strong> on full-time annual basis</td>
<td></td>
</tr>
<tr>
<td><strong>Hours in year</strong> (always 261 days = 2,088 hours)</td>
<td>2,088</td>
</tr>
<tr>
<td>Subtract hours not at work: (use actual data if available)</td>
<td></td>
</tr>
<tr>
<td>Vacation (example: 15 days = 120 hrs)</td>
<td>0</td>
</tr>
<tr>
<td>Sick Leave (example: 12 days = 96 hrs)</td>
<td>0</td>
</tr>
<tr>
<td>Holidays (13 days = 104 hrs)</td>
<td>0</td>
</tr>
<tr>
<td>Hours at work (= row 8 minus rows 10 thru 12)</td>
<td>2,088</td>
</tr>
<tr>
<td>Subtract hours at work but not billable:</td>
<td></td>
</tr>
<tr>
<td>Prep work, maintenance, consults, meetings, breaks, administrative work</td>
<td>0</td>
</tr>
<tr>
<td>Training &amp; Conferences</td>
<td>0</td>
</tr>
<tr>
<td>Billable hours on full-time annual basis (= row 13 minus rows 15+16)</td>
<td>2,088</td>
</tr>
<tr>
<td>For information only: billable hours as % of hours in year (= row 17/row 8)</td>
<td>100%</td>
</tr>
<tr>
<td>For information only: billable hours as % of hours at work (= row 17/row 13)</td>
<td>100%</td>
</tr>
</tbody>
</table>

* A&FS and BIA
## Step 2: Personnel Expenses and FTE

### Personnel-Related Expenses on Full-time Annual Basis

<table>
<thead>
<tr>
<th>Description</th>
<th>0%</th>
<th>34%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits rate (use actuals or composite benefit rate)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time annual average salary (including Oct 1 adjustment)</td>
<td>$</td>
<td>$ 52,000</td>
</tr>
<tr>
<td>Full-time annual benefits (including Oct 1 adjustment) (= row 22 * row 23)</td>
<td>$</td>
<td>$ 17,680</td>
</tr>
<tr>
<td>Full-time Supplies &amp; Expense associated with positions</td>
<td>$</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>Total personnel-related expenses on full-time annual basis (= sum rows 23 thru 25)</td>
<td>$</td>
<td>$ 70,680</td>
</tr>
<tr>
<td>Personnel-related expenses per hours in year on full time annual basis (= row 26/row 8)</td>
<td>$</td>
<td>$ 33.85</td>
</tr>
<tr>
<td>Personnel-related expenses per billable hour (= row 26/row 17)</td>
<td>$</td>
<td>$ 41.00</td>
</tr>
</tbody>
</table>

### FTE & Projected Billable Hours That Will Be Sold

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FTE dedicated to rate</td>
<td>0.00</td>
</tr>
<tr>
<td>Billable hours on annual basis adjusted for FTE (= row 17 * row 31)</td>
<td>1,724</td>
</tr>
</tbody>
</table>

Note: Expenses and Rate Calculations below assume clients want to purchase all billable hours. If estimated demand is less, FTE must be reduced.
**Step 3: Expense Calculation**

<table>
<thead>
<tr>
<th>Row</th>
<th>Description</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td><strong>EXPENSES CALCULATION adjusted for FTE</strong></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>SB0% Academic Salaries (= row 23 * row 31)</td>
<td>$</td>
</tr>
<tr>
<td>38</td>
<td>SUBS Staff Salaries (= row 23 * row 31)</td>
<td>$ 52,000</td>
</tr>
<tr>
<td>39</td>
<td>SUBG General Assistance (= row 23 * row 31)</td>
<td>$</td>
</tr>
<tr>
<td>40</td>
<td>SUBG General Assistance (overtime or stipend expense)</td>
<td>$</td>
</tr>
<tr>
<td>41</td>
<td>SUB6 Benefits (= row 24 * row 31)</td>
<td>$ 17,680</td>
</tr>
<tr>
<td>42</td>
<td>SUB3 Supplies &amp; Expense associated with positions (= row 25 * row 31)</td>
<td>$ 1,000</td>
</tr>
<tr>
<td>43</td>
<td>SUB3 Supplies &amp; Expense</td>
<td>$</td>
</tr>
<tr>
<td>44</td>
<td>SB74 Improvements Reserve</td>
<td>$</td>
</tr>
<tr>
<td>45</td>
<td>SB75 Depreciation</td>
<td>$</td>
</tr>
<tr>
<td>46</td>
<td>Other - Not Listed Above (specify)</td>
<td>$</td>
</tr>
<tr>
<td>47</td>
<td>Total Expenses (= sum rows 37 thru 46)</td>
<td>$ 70,680</td>
</tr>
<tr>
<td>48</td>
<td>Deficit Reduction (+) / Surplus Return (-) or Subsidy (-)</td>
<td>$</td>
</tr>
<tr>
<td>49</td>
<td>TOTAL $ (= row 47 + row 48)</td>
<td>$ 70,680</td>
</tr>
<tr>
<td>50</td>
<td>Material Pass-Through costs not in rate calculation</td>
<td>$ 5,000</td>
</tr>
</tbody>
</table>
# Step 4: Calculate Rate

## RATE & REVENUE CALCULATIONS

<table>
<thead>
<tr>
<th>Calculation Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recharge rate calculations (SUB9):</td>
<td></td>
</tr>
<tr>
<td>Recharge rate (calculated) (Total $ / # of hours) ((= \text{row 49/row 32}))</td>
<td>$41.00</td>
</tr>
<tr>
<td>Recharge rate ((= \text{row 54 rounded}))</td>
<td>$41.00</td>
</tr>
<tr>
<td>Hours sold to recharge clients (projection)</td>
<td>1,724</td>
</tr>
<tr>
<td><strong>SUB9 -- TOTAL RECHARGE REVENUE</strong> ((= \text{row 56 * row 55}))</td>
<td>$70,684.00</td>
</tr>
<tr>
<td>Non-University client calculations (INC0):</td>
<td></td>
</tr>
<tr>
<td>Recharge rate ((= \text{row 55}))</td>
<td>$41.00</td>
</tr>
<tr>
<td>NUD amount ((= \text{row 59 * NR})) NR= Nud Rate for appropriate fiscal year</td>
<td>$13.12</td>
</tr>
<tr>
<td>Charge (w/o mark-up) to non-university client ((= \text{rows 59 thru 60 rounded}))</td>
<td>$54.12</td>
</tr>
<tr>
<td>Mark-up (object code 006M) (enter a dollar amount)</td>
<td>-</td>
</tr>
<tr>
<td>Total charge to non-university client ((=\text{row 61} + \text{row 62 rounded}))</td>
<td>$54.12</td>
</tr>
<tr>
<td>0066 NUD assessment transferred out ((= \text{row 60 * -1}))</td>
<td>$(13.12)</td>
</tr>
<tr>
<td>0076 NUD assessment returned to department ((= \text{Dept NR * row 59}))</td>
<td>$6.56</td>
</tr>
<tr>
<td>Income for the department per unit ((= \text{sum rows 63 thru 65}))</td>
<td>$47.56</td>
</tr>
<tr>
<td>Hours sold to non-university clients ((= \text{row 32 TOTAL minus row 56})) (projection)</td>
<td>0</td>
</tr>
<tr>
<td><strong>INC0 -- TOTAL INCOME</strong> ((= \text{row 66 * row 67}))</td>
<td>-</td>
</tr>
<tr>
<td>Revenue from Pass-Through costs (not included in rate calculation) ((= \text{row 50}))</td>
<td>$5,000</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE = SUB9 &amp; INC0 &amp; Pass-through Rev</strong> ((= \text{row 57 + row 68 + row 69}))</td>
<td>$75,684</td>
</tr>
</tbody>
</table>
Narrative for all rate proposals

• Brief description of the proposed service

• Brief description of the rate methodology including the basis for estimating sales

What should I say in the narrative?
Narrative

Help is a click or phone call away

- Use rate forms on BIA website.
- Check with your Dean or Vice Chancellor’s office for additional requirements and forms.
Activity Review Checklist

• Required!

• List of items that are auditable and included in policy.

• If you are not familiar with the item:
  o Review policy
  o Contact BIA or Costing Policy and Analysis for clarification
It’s Easy to Enter on the Forms

• Let’s take a look!
• First we need the forms from the website...

Recharge Activities & Rates

Development of Activities and Rates

• Proposal forms for establishing or modifying a recharge activity

The documents below should be completed and submitted to the office of the dean, vice chancellor or vice provost (D/VC/VP) for approval. If necessary, the D/VC/VP will forward to BIA.

• Recharge Activity Proposal (.pdf)
• Rate Calculation Worksheets (.xls)

http://budget.ucdavis.edu/rates/index.html
Understanding the Rate Review and Approval Process
New activities

• **BIA** must approve the following new activities:
  
  ▪ Mandated good/service
  
  ▪ Unit is the only sole provider
  
  ▪ The activity generates more than $50,000 in annual federal recharge
Existing activities

• The office of the Dean/Vice Provost/Vice Chancellor (D/VP/VC) has the authority to approve certain modifications

• Office with final approval depends on the type of modification & risk profile of the activity
<table>
<thead>
<tr>
<th>Recharge activity modification scenarios – office with final approval</th>
<th>Mandated OR &gt;$50,000 federal recharge</th>
<th>Not mandated AND &lt;$50,001 federal recharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>New rate consistent with existing pricing rationale</td>
<td>Mandated: BIA</td>
<td>D/VP/VC</td>
</tr>
<tr>
<td></td>
<td>&gt;$50k: D/VP/VC</td>
<td></td>
</tr>
<tr>
<td>New rate inconsistent with existing pricing rationale</td>
<td>BIA</td>
<td>D/VP/VC</td>
</tr>
<tr>
<td>Rate increase consistent with budget planning guidelines</td>
<td>D/VP/VC</td>
<td>D/VP/VC</td>
</tr>
<tr>
<td>Rate increase inconsistent with budget planning guidelines</td>
<td>BIA</td>
<td>D/VP/VC</td>
</tr>
<tr>
<td>Rate decrease</td>
<td>D/VP/VC</td>
<td>D/VP/VC</td>
</tr>
<tr>
<td>Change pricing rationale</td>
<td>BIA</td>
<td>D/VP/VC</td>
</tr>
</tbody>
</table>

A&FS and BIA
Definitions

• Consistent with existing pricing rationale:
  • Same cost categories + same allocation method = same pricing rationale

• Consistent with budget planning guidelines:
  • Annual published guidance from BIA that includes specific policy adjustments/updates related to recharge activities
  • Examples:
    • Increases in employment benefit costs
    • Collective bargaining unit salary increases
    • Campuswide salary programs (Automatic Merits and Ranges)
What does a change in pricing rationale look like?

- **New cost category:** a new rate includes depreciation or a reserve for improvement & the old rate does not.

- **Change in allocation method:** a new rate is calculated on the number of widgets produced & no longer on the number of hours worked.
You’re not done!

• What is needed after the rate has been approved?

  o Clients must be **properly notified** before rates can be charged.

  o Schedule of rates **must be published** online or be readily available at the unit’s office.

  o Documentation to set up the rate must be sent to General Accounting by using the UC Fund Request Form.
UC Fund Request Form

- Form is available on BIA website

- What is needed:
  - Fiscal Officer’s name
  - Kuali Organization Code
  - Description of Activity
  - Anticipated annual revenue
  - Charts charged (i.e., chart 3, L, H, and/or S)
  - Customers’ classification (internal, external, or both)
  - Depreciation information
  - Reserve for improvement (RFI) information
Office of Record

• Office of the D/VP/VC serves as the office of record

• File for each activity includes
  - List of current rates
  - Most recent approval letter & pricing rationale
  - Historical records for a minimum of five years
Annual Compliance Review

• **Annual Review** by BIA for funds that are out of compliance for the 15% threshold.
  - Run FIS 193 for data
  - BIA will request reports from units that exceed the threshold

• **Additional review** beyond the annual review is required for “High Risk Activities”

• **High Risk Activities** are defined as:
  - Mandated good/service or the sole-provider
  - Federal Recharge >$200,000
  - Reviewed every 3 to 5
  - Schedules are available on BIA website
Section 3

Setting up an activity
Integrating with Kuali

To establish a Kuali account:

• Obtain rate approval from:
  - Rate Committee
    • sends info to General Accounting
  OR
  - Dean’s/VC’s office
    • sends letter approving rate to BIA and General Accounting
For approved activities

- Department sends to General Accounting the UC Fund Request Form which has:
  - Rate Name and General Description
  - Department’s Organization & Fiscal Officer ID
  - List of assets to depreciate if in rate
  - Annual improvement reserve amount if in rate
  - Charts that will be recharged (3, L, H, and/or S)
General Accounting

What does General Accounting (GA) do?

For approved rates, GA:

• Assigns operating fund (6xxxx) and reserve funds (75xxx, 76xxx)
• Creates Provision (PR), Unexpended Balance (UB) and revenue translation accounts
• Assigns recharge object code
Let's take a closer look at these terms A&FS and BIA.
Operating Fund

- Begins with 6xxxx
- Fund # drives the Sub-Fund Group
- You need the fund # in order to set up your operating account(s)
RFI

Reserve for Improvement (RFI) (75xxx)

- Holds mark-up and department share of NUD

- Used if you have a reserve for improvement (RFI) component in your rate (more details in Advanced class)

A&FS and BIA
Equipment Replacement

Reserve for Equipment Renewal & Replacement (76xxx)

- Holds funds so that you can replace equipment used in your activity (discussed more in Advanced class)
Unexpended Balance (UB) Account

- Annually: income, expense (not encumbrances), net income/loss
- Accumulation of net revenues (profit) or deficit (loss) in the fund
- At year end, income and expense totals for ALL ACCOUNTS in the fund are “closed” to a SINGLE UB account
- You review the account but only central offices use in transactions

A&FS and BIA
Provision (PR) Account

- At year end, income and expense totals for ALL ACCOUNTS in the fund close to a SINGLE provision account
- In August, you re-appropriate funds from the PR account to operating account(s)
Recharge Objects

Recharge Object Code (usually Rxxx)

- A code unique to your activity that you use when recharging other departments
- Typically, one per fund
- Examples of College of Ag and Env Sci objects:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>RAF1</td>
<td>CAES: FST PILOT PLANT EQUIPMENT SERVICE</td>
</tr>
<tr>
<td>RAF2</td>
<td>CAES: GLYCOPROTEOMICS RECHARGE SVCS</td>
</tr>
<tr>
<td>RAF3</td>
<td>CAES: GENETIC DIVERSITY RECHARGE SVCS</td>
</tr>
<tr>
<td>RAF4</td>
<td>CAES: FST WESTERN CTR FOR AG EQ SVC</td>
</tr>
<tr>
<td>RAF5</td>
<td>CAES: FST PHAFF YEAST COLLECTION SVC</td>
</tr>
<tr>
<td>RAG1</td>
<td>CAES: GREENHOUSE LABOR SERVICE</td>
</tr>
<tr>
<td>RAG2</td>
<td>CAES: GREENHOUSE GAS SERVICE</td>
</tr>
</tbody>
</table>
Recharge Objects

How to identify your unique object code?

• DS report 14 – search Object Type ES
• KFS Reference Queries – Object Code query - search by chart as well as by Object Type ES
• Check prior IB doc
• Ask your Dean/VC office or General Accounting

Note: The object code name is typically similar to the fund name so if you know the fund name, you could enter it with a wildcard in the object name field. Also, most object codes begin with the school/college acronym (e.g., CLAS, CAES).
Operating Accounts

Now it’s YOUR turn!

Create KFS Account (ACCT) document(s) for your operating account(s):

• Give each rate within a fund its own account or sub-account so that the rate’s revenue and expenses can be traceable to the ledger

• Use account types IN & EX if separate accounts for income & expense

• Use account type EX if income & expense in same account
Assessment Type Tab

Standard Codes:

Non-University Differential (NUD):
  - NUD3 = Full NUD

Campus Assessment:
  - CAI1 = Assessment on Income
  - CAR1 = Assessment on Recharge

Enter each code only once; uncheck active indicator to turn off

Exceptions? Contact Annette Davis at BIA – AMADAVIS@UCDAVIS.EDU

A&FS and BIA
The same rate name CANNOT be used more than once. Add letter/number to rate name if you want to track a rate through multiple reviews.

The next time the rate should be reviewed. No more than 10 years later than the existing review date.

Last date the rate was reviewed by the campus rate group or your Dean's/VC’s office

Enter one name for each group of rates that are presented/reviewed together.
**Account Indicators Tab**

- Checkmark if approved rate includes depreciation expense

<table>
<thead>
<tr>
<th>Account Indicators (Rate-Based Self-Supporting Accounts ONLY)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New</strong></td>
</tr>
<tr>
<td><strong>Rate-Based Self-Supporting Accounts ONLY</strong></td>
</tr>
<tr>
<td><strong>Depreciation:</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Reserve For Improvement:</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Income Authority Code:</strong></td>
</tr>
<tr>
<td><strong>Income Type Code:</strong></td>
</tr>
</tbody>
</table>

- Checkmark if approved rate includes a reserve for improvement expense

- External if you only have income,
- Internal if you only have recharge,
- or External and Internal if you have both.

Dean/VC or Professional Staff Rate Group
Keep all accounts (operating, reserve, PR, and UB) in the same org to better manage the activity

If you have external customers, create a reserve account for department share of NUD

Quarterly or yearly, ask General Accounting to move mark-up and department share of NUD to reserves
Create a KFS Budget Adjustment (BA) document for:

• Base Budget (per approved rate)

• Current Budget
When setting up your initial budget, put all entries in the To/Increase section.
One-Sided Entry

When decreasing your budget, put all entries in the From/Decrease section.

- A&FS and BIA

Amounts balance
One-Sided Entry

For details and other examples, see:

Section 4
Conducting an activity
External Customers

To invoice customers outside the university, use Accounts Receivable through Banner or DaFIS. More info at: http://dafis.ucdavis.edu/ar/
UC Davis Customers

Use the KFS Internal Billing (IB) document for recharges at UC Davis
Other UC Customers

Use the **Intercampus Order Charge** process to charge other UC campuses:

http://accounting.ucdavis.edu/GA/IOCs.cfm
Keys to Billing

- No advance billing for **recharges** or **intercampus transfers**. Advance billing for **external customers** requires approval from General Accounting.

- When receiving income, use object code **0060**.
When recharging, use object 39xx (e.g., 3900) with your account (fund 6xxxx) and a unique expense object (e.g., RJE9) with the customer’s account.

<table>
<thead>
<tr>
<th>Income</th>
<th>* Chart</th>
<th>* Account</th>
<th>Sub-Account</th>
<th>* Object</th>
<th>Sub-Object</th>
<th>Project</th>
<th>Org Ref Id</th>
<th>* Amt</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UCDAVIS</td>
<td>3960064</td>
<td></td>
<td>3900</td>
<td>INTERDEPARTMENTAL RECHARGE</td>
<td></td>
<td>CASTO</td>
<td>600.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3600089</td>
<td>UCDAVIS - MICROFABRICATION LABORATORY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3600089</td>
<td>UCDAVIS - FABRICATION OF MICROSTRUCTURAL MATERIAL</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>3600089</td>
<td>UCDAVIS - MICROFABRICATION LAB INCOME</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expense</th>
<th>* Chart</th>
<th>* Account</th>
<th>Sub-Account</th>
<th>* Object</th>
<th>Sub-Object</th>
<th>Project</th>
<th>Org Ref Id</th>
<th>* Amt</th>
<th>Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UCDAVIS</td>
<td>800001</td>
<td></td>
<td>RJE9</td>
<td>MICROFABRICATION LAB SVC</td>
<td></td>
<td></td>
<td>600.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>800102</td>
<td>UCDAVIS - NSF - Thermoceramics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>800102</td>
<td>UCDAVIS - NSF - Thermoceramics</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>800102</td>
<td>UCDAVIS - NSF - Thermoceramics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total: 600.00

Total: 600.00
Complete and route your doc promptly to allow your customers time to approve. IB doc auto-approves in **12 calendar days**.
IB Doc Routing

Do NOT ad hoc route document for approval (FYI is ok). It negatively affects auto-approval.
Reverse IB Doc

To reverse an IB *in its entirety*, open the document and click the error correction button.
Reverse IB Doc

Amount in parentheses means it’s the opposite of the original transaction

Automatic note

Click Submit
Partial Reversal

To *partially* reverse an IB, open the document and click the *copy* button.
Partial Reversal

Next, enter the amount you want to reverse, and include a negative sign. Amounts are now in parentheses.
Let’s Test Your Knowledge!

With a Few Questions.....
Question 1

What KFS document type is used to record a recharge?

A&FS and BIA
Answer 1

What KFS document type is used to record a recharge?

The Internal Billing (IB) document
Question 2

True or False: Money received from external customers is recorded using a 39xx object code.
False. It’s recorded using object code 0060 – INCO. 39xx object codes are only for recharges.
Question 3

How do I fully reverse an IB document?
Answer 3

How do I fully reverse an IB document?

Open the IB and click the Error Correction button at the bottom of the document.
Can I record income and expense in the same account?
Can I record income and expense in the same account?

Yes, as long as it’s Account Type EX - Expense
Question 5

For which of the following are you allowed to bill in advance?

a. UC Davis customers  
b. UC customers  
c. Both a and b  
d. External customers  
e. None of the above  
f. Any customer
For which of the following are you allowed to bill in advance?

a. UC Davis customers
b. UC customers
c. Both a and b
d. External customers*
e. None of the above
f. Any customer

* with General Accounting’s approval.
Section 5
Staff Development Classes and Resources
Managing Self Supporting Activities:
  - Computer lab
  - Analyze various reports
  - Leave with an action plan for making adjustments to their self-supporting activity

Date/Time/Location:
February 26, 2014
1:30-4:00
Hamilton Room, Heitman Staff Learning Center
Staff Development Classes

- **Advanced:**
  - Covers advanced concepts
    - Mark-ups
    - Reserves
      - Equipment
      - Depreciation
      - Reserve for Improvement
    - Uncommon Situations
  - **Date/Time/Location:**
    April 2, 2014
    1:30-4:00
    Hamilton Room, Heitman Staff Learning Center
For NUD and rate information contact your D/VP/VC office. Info is also available at:
http://budget.ucdavis.edu/rates/index.html

For help completing the KFS documents discussed in class, see the Help Resources section of:

Contact General Accounting for other help:
http://accounting.ucdavis.edu/GA/staff.cfm