University of Wisconsin-Stout Policy

Policy No. 82-31
Date: 2/13/1982
Revised: 7/8/2011
11/1/2016

ESTABLISHMENT AND REVISION OF RATE AND FEE SCHEDULE

1.0 INTRODUCTION

This policy provides guidelines for establishing university rate/fee schedules for goods and/or services rendered, especially goods and services offered in a recurring manner. This policy also provides guidelines for review and approval of those schedules.

Specifically, the policy is concerned with rate/fee schedules that provide the university and its sub-units with funding through the following sources:

- Auxiliary and segregated fee operations
- Sales and service charges
- Institutional service chargeback to other campus accounts

This policy excludes consideration of the following topics:

- The establishment of student tuition rates
- Facilities and administrative costs (indirect costs) for extramurally funded projects
- Non-recurring projects conducted via a contract-for-services basis with extramural sponsors

The following UW System and UW-Stout policies impact this policy:

- SYS 322 – Chargeback of Physical Plant Services
- SYS 320 – Internal Services Chargebacks
- SYS 306 – Accounting and Budget Control
- SYS 825 – Special Course Fees
- UW-Stout 76-3 – Facility Use
- UW-Stout 77-20 – Physical Plant Operations and Chargebacks
- UW-Stout 85-42 – Administrative Cost Assessment for Program Revenue Activities
- UW-Stout Faculty/Academic Staff/Limited Appointees Handbook on Field Trip Policies and Procedures
2.0 DEFINITIONS

2.1 Auxiliary Operations:

Auxiliary operations are self-supporting programs that provide services directly or indirectly to students, faculty, or staff and charge fees related to the cost of services. These services typically include food services, student housing, and college stores. UW-Stout has a designated group of auxiliary activities, all classified as Program Code 8.

2.2 Segregated Fee Operations:

Segregated fees are charges, in addition to instructional fees, assessed to all students for student services, activities, programs, and facilities that support the university’s mission. Segregated fees are charged to support such things as student health/counseling, intercollegiate athletics, the recreation complex, the student union, student activities, and municipal services. Segregated fee operations are accounted for in the 128 appropriation, Student Services Program Code 0.

2.3 GPR/Fee-Funded Activities:

Generally GPR/Fee accounts do not charge for goods and/or services. Examples of GPR/fee appropriations are 102, 104, and 105. If charging back for services is appropriate (for example, Physical Plant chargebacks), the activity is included in the budget development and allocation process.

2.4 Program Revenue Self-Sustaining Account:

These accounts include auxiliary operations, segregated fee operations, and all of the other charging activities not identified in the other definitions. Examples of program revenue appropriations are 128, 129, 132, and 136.

3.0 STATEMENT OF POLICY

Prior to offering or charging for services or products, the rates for GPR/fee-funded activities, auxiliary operations activities, segregated fee activities, and program revenue activities must be developed and approved by the chancellor, or designee, according to the guidelines for implementation.

4.0 IMPLEMENTATION OF POLICY

4.1 Auxiliary and Segregated Fee Operations

Auxiliary, segregated fee, and textbook rental operations rates are approved by the Board of Regents after approval at the campus level. Rates are developed according to guidance provided by the UW System Administration budget development guidelines, Regent and System policy, and UW-Stout Policy Administrative Procedure AP012, Segregated University Fees.

The framework for the review and approval of rate/fee schedule is the auxiliary budget development process, which includes rigid guidelines for costing, for budgeting, and for rate determination. Proposed rate/fee schedules must be submitted to the chancellor for review no less than 30 calendar days prior to the established submission date to System Administration. Final review must be completed at least 15 calendar days prior to the submission date. A minimum of 15 days is needed to allow the auxiliary directors to make budget modifications if the rates are not approved as submitted.

If the rate is a constant amount such as a "double room contract" and "food service contract," the submission should include the specific fee/rate and all documentation supporting the proposed rate. Special attention should be
given to addressing any proposed increases (or decreases) over the previous year. The total projected income from this rate grouping should be included in the data.

For those charges or rates based on a "markup," the submission should include the actual markup factor(s) for each of the commodity groupings or service groupings. Again, special attention should be given to those markup factors that have changed from the previous year. Total projected revenue from this rate grouping should also be included with the data.

If there are other miscellaneous charges in addition to the two above groupings, they should be submitted with appropriate documentation and total amount of projected revenue.

4.2 GPR/Fee-Funded Activities

When a GPR account anticipates charging, sales credits generated from such an activity should be identified as a part of the budget development and allocation process. A Rate Request form must be processed for initial approval. Subsequent rate updates must be included in the annual budget development process or, if modification is requested other than July 1, be addressed through a Rate Request.

Each account, before initiating a Rate Request proposal, should determine the appropriateness of handling the accounting as a GPR chargeback versus treating it as a sales activity through an established Program Revenue account. To account for the activity as a GPR chargeback, all of the following conditions must exist:

1. Inventories must be of immaterial size.
2. Accounts Receivable must be immaterial or not overlap fiscal years.
3. Depreciation/Amortization must not be included in the rate.
4. Prepaid expenses must be immaterial.
5. Payments must not be received in advance for services.

If the above conditions exist, the activity should be treated as a chargeback activity. Further, if the proposed chargeback or selling activity is expected to recur, it should be budgeted as a sales credit rather than a refund of expenditure against the departmental account.

Supporting documentation for rates should address all the factors identified in Appendix A, “Rate Development Guidelines.”

If a GPR department is initiating a new chargeback activity, it must both address the factors identified in Appendix A and provide responses to each of the applicable questions listed in Appendix B, “Criteria for Evaluation of a Chargeback or Sales Activity Request.”

4.3 Program Revenue Activity

When a program revenue (PR) activity is approved, revenue generated from the activity should be identified as a part of the budget development process. A Rate Request form must be processed for initial approval. Subsequent rate updates must be included in the annual budget development process or, if modification is requested after July 1, be addressed through a Rate Request.

A program revenue account is established when one or more of the following criteria are met for a proposed sale of product or service or if a conference activity is held:

1. Inventories are of a material size.
2. Accounts receivable are of a material size and overlap fiscal years.
3. Depreciation of non-federally funded equipment is included in the rate.
4. Prepaid expenses are of a material amount and overlap fiscal years.

5. Payments are received in advance of services (subscriptions, ticket sales, registrations, etc.) and may overlap fiscal years.

6. Operation is a labor-intensive activity and has heavy grant or external usage.

If one or more of the above conditions exist, the activity should be treated as a revenue activity for sales/services to outside entities and chargeback activity for sales to other university accounts.

Supporting documentation for rates should address all the factors identified in Appendix A, “Rate Development Guidelines.”

If a PR department is initiating a new sales, service, or conference activity, it must both address the factors identified in Appendix A and provide responses to each of the applicable questions listed in Appendix B, “Criteria for Evaluation of a Chargeback or Sales Activity Request.”

A department requesting authorization to host a conference should initiate a request for approval of fee/rates as part of the annual budget development process. The requester should address all the factors in Appendices A, B, and C.

4.4 All Accounts

All proposed rate/fee schedules are to be reviewed and approved for technical accuracy by the Controller’s Office. Approval is based on the appropriate Division Administrator’s recommendation, subject to final approval by the chancellor or designee.

Appendix A: Rate Development Guidelines
Appendix B: Criteria for Evaluation of a Chargeback or Sales Activity Request
Appendix C: Conference/Seminar Guidelines

If you have questions or comments, email parq@uwstout.edu.
APPENDIX A: RATE DEVELOPMENT GUIDELINES

The following items should be given special attention when developing proposed rate schedules.

To ensure compliance with university rules and federal regulations and to avoid future audit disallowances, the proposed rate schedule and all supporting documentation will be reviewed by the campus. In addition, all fee and rate schedules are subject to periodic audit by campus and System internal auditors and by federal and state auditors.

1.0 EXPENSES

1. Proper expense-accounting practices should be followed to assure matching expenses and revenues. Expenses should generally be charged to the account that receives the benefit of the revenue. (See 2.0 “INCOME,” list-item 3.)

2. Costs charged to a particular service unit should only be for goods or services directly identifiable to the rate that was developed.

3. Depreciation may be recovered only on non-federally funded equipment – excluding all GPR sales activity. Depreciation starts when the chargeback is established for the remaining useful life. The cost is adjusted to the useful life date.

4. Expenses should be net of any subsidies. Upon occasion, matching support from university sources for part or all of a given service charge may be applied. The decision to provide such matching from University resources is made by the chancellor, or his designee, and specifically identified in connection with the service provided.

2.0 INCOME

1. Any unit dealing with outside (external) users for over 50 percent of their income should be on a budgeted receipts basis. Conversion should be undertaken to be effective the next fiscal year.

2. Internal transfers, chargebacks, and invoicing should be made monthly—or quarterly at a minimum. This will ensure regular charges to the grants and contracts and keep operating deficits at a minimum. Because excess balances of 128 are invested, this is of particular concern in these areas.

3. Costs recovered, but not payable by the unit doing the billing, are allowed only if the profits generated are reapplied as a credit to internal operation costs. It does not apply to depreciation reserves. Such recovery must also be an insignificant portion of operating revenue.

4. Grant-related income must be handled based upon the terms of the grant. In addition, if grant support is provided to a chargeback, a pro-rata share of the chargeback income should be returned to the supporting grant unless the grant terms provide otherwise.

5. Charges for services rendered prior to receipt of an approved requisition are allowable only if a written commitment was received for the service and, if gift/grant funds are involved, the official start date of the project preceded actual work.

6. Charging in advance for services to be provided at a later date is not allowable. If commitment of funds in advance is required, it should be handled via requisition rather than prepayment (this excludes photocopy).

3.0 RATES

1. User charges must be based on a documented rate calculation. The use of estimates is allowable only in the year of startup. Any future rates must be based on historical data accumulated from actual prior period operations. This data would include items such as cost groupings and usage records, and it should be collected over an acceptable base period and demonstrate proper allocation techniques.

2. Rates must be established using generally accepted cost accounting practices.
3. Service departments should review rates annually to evaluate the impact of usage and cost changes.
4. Rates should be constructed to recover a surplus only to the extent of approved campus operating contingencies.
5. Rates to internal users must be applied consistently with no price discrimination for different users, unless allowed by System policy.
6. Any current surpluses generated from internal users (except accumulated depreciation) should gradually be eliminated through rate adjustments.
7. A single rate or fee is established in connection with a given service for external rates. If appropriate, multiple rates can be developed and approved for the same service.

4.0 RECORD KEEPING

1. Supporting detail must be maintained to allow the audit of both the established rates and individual grant-contract charges. Individual job records must be adequately documented and filed in an accessible manner to facilitate verification of charges.
2. Adequate service center time/usage records are necessary to establish a base period for future rates. These records would include productive time, items produced, billable time, etc.
3. Adequate depreciation schedules with realistic useful life assignments must be maintained. Vendor life estimates should be used for more expensive items.
4. Records retention must be in compliance with state and federal regulations. The storage of excess records should be discouraged unless the department has a practical reason for retention.
5. Storeroom inventories must be supported by perpetual records and adequate costing if users are charged for parts. Periodic physical inventories must be taken to verify contents and values.
6. Equipment inventory records must be maintained and updated with acquisition and disposal information, depreciation schedules, etc., for use in rate calculation. Equipment must be physically inventoried on a periodic basis to ensure accuracy of records and depreciation charges.
APPENDIX B: CRITERIA FOR EVALUATION OF A CHARGEBACK OR SALES ACTIVITY REQUEST

The following questions will be asked of any department requesting approval of a departmental chargeback or sales activity operation. It is necessary to obtain approval from the chancellor, or his designee, before implementing any chargeback operation. Please prepare answers to the following questions and forward them to the Dean’s Office for approval and transmittal to the division administrator.

1.0 CHARGEBACK JUSTIFICATION

1. What is the operation in question? Please describe it.

2. How does this operation relate to the mission of the campus and/or departmental objectives?

3. What clientele will be served by this activity (other university departments, state agencies, students, general public, etc.)?

4. If students or the general public are to be served, is there any possibility of competing with commercial operations (private business)? Where is the nearest source of a similar service?

5. How are user rates calculated? On what basis are they applied?

6. What type(s) of revenue will be processed through the account (internal transfers, running orders, personal checks, cash, etc.)? Who will handle the transfers, receipts, etc.?

7. Will there be any billing of off-campus users? Why or why not? Who will handle the billing, the follow up on billing, and accounts receivable reporting?

8. What kind of accounting records is maintained for this operation? Who will handle the bookkeeping?

9. How long will the job/project run? Will any phase overlap the end of the fiscal year?

10. Will this be an on-going operation? Do you anticipate future expansion of this operation?

11. If this is an on-going operation, will there be any inventories of significant value on hand at the end of the fiscal year?

12. If this is to be an on-going operation, how will equipment needs, if any, be met?

13. What division/department will bear financial responsibility for any year-end cash deficits?

14. Do you have a detailed budget for this operation? You must provide a detailed budget with a chargeback request.

15. If this operation involves the sale of printed matter, is any copy-righted material included? If so, have the proper releases been obtained?
Consider the following guidelines for both extramurally and internally sponsored conferences/seminars.

1. Determine if the conference/seminar is sponsored and/or operated by a UW department or an outside organization. This determination is of prime importance in how such a meeting is to be handled. The following points will influence such a determination:
   a. Who arranged the conference—an individual, organization, department?
   b. Is any departmental staff release time devoted to the conference and/or are any support costs devoted to the conference?
   c. Is the meeting to be held in a university facility?
   d. Has the conference been advertised as a university-sponsored event?

2. If the conference/seminar is an internally sponsored event, it must be handled as an approved sales operation. As a result, the operation must adhere to the following standards:
   a. There must be adequate accountability for the revenue and expenses of the meeting in question.
   b. Weekly deposits of all receipts must be made as required by state statute.
   c. All expenses must be paid through regular university channels and will be subject to the normal state and university guidelines.
   d. Conference fees must be established on a break-even basis, covering all the costs of holding such a conference. If a department intends to make a "profit" on a conference, prior approval to do so must be obtained from the appropriate division administrator.

3. If the conference/seminar is handled by an outside organization, all income and expenses can be processed through that organization's bank account. Under these circumstances the organization is responsible for adequately controlling receipts and disbursements related to the conference.

4. These guidelines are intended for use in connection with non-credit or continuing education credit conferences and seminars only. For seminars or workshops for which university credit is granted, charges are established as for other student tuition and fee rates.

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<thead>
<tr>
<th>SUGGESTED GUIDELINES FOR HANDLING CONFERENCES</th>
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<tbody>
<tr>
<td><strong>UNIVERSITY SPONSORED</strong></td>
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<tr>
<td><strong>Sponsorship</strong></td>
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<tr>
<td>Handled entirely within the university's accounting system and subject to university rules and regulations.</td>
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<tr>
<td><strong>Budget</strong></td>
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<tr>
<td>A detailed budget based on anticipated expenses and receipts must be prepared to support the request for a conference account.</td>
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<tr>
<th>Policies &amp; Procedures</th>
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<tr>
<td>A firm policy must be established regarding fees; who, if anyone, receives free admission; expense limits, etc., to ensure accurate costing. Written procedures will ensure consistency in handling receipts, expenses, etc.</td>
<td>Policies and procedures for administering the event should be established and approved by the organization.</td>
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<tr>
<td>Promotion</td>
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</tr>
<tr>
<td>Can be promoted as a university-sponsored event.</td>
<td>Cannot be promoted as being sponsored or presented by the university or a university department.</td>
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<tr>
<td>Registration</td>
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<tr>
<td>Advance registration, with full payment accompanying registration, should be required. This aids in planning and in handling receipts.</td>
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<tr>
<td>Receipts Handling</td>
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<tr>
<td>Adequate receipt records must be maintained. Receipts must be deposited to a university-approved account at least weekly. Receipt records must be reconciled to deposit records (accounting control) monthly.</td>
<td>Adequate receipt records should be maintained. Receipts should be deposited on a timely basis. Receipt records should be reconciled to deposit records.</td>
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<tr>
<td>Expense Handling</td>
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<tr>
<td>All expenses must be handled through regular university channels and are subject to state and university guidelines. Expense records must be maintained and reconciled to monthly accounting control statements.</td>
<td>All expenditures should be approved by the organization treasurer or other responsible officer. Expense records should be maintained to facilitate a final accounting.</td>
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<tr>
<td>Final Accounting</td>
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<tr>
<td>A final accounting must be made to the appropriate authority.</td>
<td>A final accounting should be made to the organization.</td>
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