

## **NEXT FISCAL YEAR SERVICE CENTER BUDGETS AND PROPOSED RATES**

### **RAPC / CMA BUDGET REVIEW AND RATE(S) APPROVAL**

Per University policy, service center budgets should be reviewed and service center rates approved by RAPC/CMA before they are put into use. Even if your service center's rates are not projected to change from those approved and used in the current fiscal year, a budget for the forthcoming fiscal year, with detailed expense and service center rate calculations must be submitted to RAPC/CMA.

Continued use of prior year rates or of projected rates in the new fiscal year will be subject to correction after your new fiscal year budget is submitted for your service center and your new rates are reviewed and approved by RAPC/CMA.

For budgets submitted in August or early September, please remember to include an estimate of the current fiscal year's net year-end balance (if you are projecting your service center to be within +/- 5% or +/- 15% breakeven at FYE). If your budget and rates are submitted in mid-September or later, the actual prior FY's net balance amount should be included in your budget and rate calculations.

### **SERVICE CENTER BUDGETS AND RATES**

Budgeted service center expense should include the total operating costs of the center, consistent with the practices described in the Service Center Manual. If you plan on subsidizing your service center's operations, please see the discussion of subsidies below.

The reasons for significant changes in budgeted costs from the previous year's budget or actuals should be described in the budget package.

Even if some rates/services are used infrequently, all rates used (charged out) by the service center should be disclosed in the budget and rates package. Rate calculations and assumptions for your services (e.g., volume estimates) should also be provided.

### **SUBSIDIES**

*Operating Subsidies* Per OMB's Circular A-21 ("Cost Principles for Educational Institutions") and the Cost Accounting Standards (CAS) applicable to Stanford, subsidies of service center operations, both planned and unplanned, must be accounted for in University F&A (indirect cost) rate calculations. In order to clearly identify subsidies, your service center budgeted expense should reflect the full cost of providing its service(s).

If you plan to subsidize a center's operations, please identify in your budget any subsidies of either operating or equipment expense which you anticipate using to augment your center's income and/or reduce its operating expense.

Anticipated subsidies can be identified "up front," by developing a fully costed budget and rate(s), then applying a "discount" factor to arrive at the desired, subsidized rate(s) to be charged to users.

Service center subsidies are also identified at FYE, if department funds must be used to fund service center losses resulting in a greater than 5% or 15% breakeven position.

*Equipment Subsidies* Another form of subsidy occurs when equipment being used or purchased for use within a service center is not depreciated (charged) to the service center. That equipment's cost is not being borne by the service center's users, and it should not be borne by other University users (especially Organized Research users). Such equipment must be identified in the Sunflower Asset Program as "service center equipment," so that it will not be included in the University's F&A rate calculations.

Like equipment being depreciated to a service center, subsidized service center equipment must be identified with the department's org code and unique service center code. Please work closely with your Department Property Administrator (DPA) to properly identify all equipment used in your service center. Please document subsidized equipment purchases in your annual service center budget submission.

### **EXTERNAL USERS**

For a number of reasons, external users of service centers must be identified and properly treated in the accounting system. "External" users can also be "associated" or "affiliated" organizations, such as the Stanford Hospital and Clinics or the Howard Hughes Medical Institute (HHMI) on campus, or other entities such as private, for-profit companies or other universities. Such external users may be physically located on the SU campus, or not. Services provided to such users are usually charged to an Award in the range ARxxx – ATxxx a Misc Receivable PTA. External users also include any cash sales.

For the external users, as defined by the University Tax Director, there is a maximum limit based on 15% of total revenue. Please refer to Exhibit C for direction on Misc Rec PTAs, you will need to contact the University Tax Director if you have questions on your other external users. For example, HHMI on campus is considered an affiliate but HHMI – UCSF is an external user.

If your service center has external users, they should be identified in your annual budget submission. There is a 'service center external user's documentation and approval process, please refer to Exhibit E documentation.

### **NEXT FISCAL YEAR'S BUDGET SUBMISSION**

The next fiscal year's budget and proposed rates should be submitted to RAPC/CMA between August 1st and September 30th. Please submit paperwork as soon as it is complete since there are a large number of service centers PTAs that need to be reviewed and approved. This time frame is dictated by University policy that service center rates should be reviewed and approved prior to their actual use for the new fiscal year billings. Since this can not always be the case, if new service center rates are used prior to RAPC/CMA's review and approval, they are subject to correction after RAPC/CMA's review.

Please see the 'annual' service center memo, Exhibit F, for any specific, additional information about the next fiscal year's budget submission.