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## **UCLA Policy 340: Sales and Service Activities and Service Enterprises: Recharge Rates, User Fees, and Budgets**

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Issuing Officer: Assistant Vice Chancellor, Academic Planning & Budget  
Responsible Dept: Academic Planning and Budget  
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### **I. REFERENCES**

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#### **I. REFERENCES**

1. Office of Management & Budget Circulars, A-21, Cost Principles for Educational Institutions;
2. Office of Management & Budget Circulars, A-110, Uniform Administrative Requirements;
3. UC Business and Finance Bulletin A-47, University Direct Costing Procedures;
4. UC Business and Finance Bulletin A-56, Academic Support Unit Costing and Billing Guidelines;
5. UC Business and Finance Bulletin A-59, Costing and Working Capital for Auxiliary and Service Enterprises;
6. Planning and Budget Manual: Chapter 4010, Operating Budget Amendments;
7. UCLA Procedure 340.1, Establishing and Updating Sales and Service Activities and Service Enterprises: Recharge Rates, User Fees, and Budgets.

#### **II. POLICY OBJECTIVE**

Sales and Service Activities are non-profit, campus-affiliated business enterprises, whose function is to provide quality services and goods at rates that are reasonable and equitable. These enterprises often have a measurable impact on the campus through their price and quality decisions, their charging practices, and their billing methods and cycles. While these Sales and Service Activities have the advantage of being campus-affiliated, usually with a captive audience, they are simultaneously constrained by University-wide and campus policy decisions, such as those related to employee classifications, union contract provisions, salary range adjustments, employee benefits, and STIP interest charged for use of campus working capital.

This policy is intended to provide the rate-setting and Budget guidelines for these activities, so that they can simultaneously operate within the University environment successfully and provide needed goods and services to the campus consistently and fairly.

This policy, relating to Sales and Service Activities and monitored by the Policy Committee on Sales and Service Activities and Service Enterprises (POSSSE), covers Budgets, rates, cost allowability, reviewing cycles, and full costing principles. It particularly emphasizes the Sales and

Service Activity's operating Budget, which must be periodically updated to reflect a realistic level of Income and expenditure projections, while following various University and Federal guidelines. Medical Compensation Plans (Pay Plans) and Royalties are covered by this policy, but are reviewed less intensively by POSSSE because of other review mechanisms in place. (Refer to Section V.A. items 1-4.)

Auxiliary Enterprises are not covered by this policy because other review mechanisms are in place. The UCLA Medical Center and the Neuropsychiatric Hospital are not covered by this policy, because they already are subject to special Regents' internal review processes and external review by health care delivery Organization accreditation, licensing, and reimbursement and cost control agencies.

### III. BACKGROUND

In December 1974, an Ad Hoc Recharge Policy Committee was established for the purpose of developing a campus recharge policy and reviewing departmental recharge activities. It was elevated from its temporary ad hoc status to that of an ongoing review body during fiscal year 1975-76. On November 1, 1976, it distributed an Interim Campus Recharge Policy to UCLA Deans, Directors, Department Chairpersons, and Administrative Officers. University Business and Finance Bulletin A-47 was its main source document. On October 1, 1978, UCLA Policy 340.1, Self-Supporting Recharge Activities, was issued and superseded the Interim Policy.

Between 1978 and 1985, the Recharge Policy Committee, later renamed the Campus Working Capital/Recharge Policy Committee, discussed various policy issues relating to recharge units, developed campus policy, reviewed revisions to existing System-wide policies, reviewed staff analysis of specific units' recharge rates, discussed equipment acquisition issues, reviewed staff work in realigning Sales and Service Activity Budgets, and discussed campus working capital policies and procedures.

Effective July 1, 1985, the Campus Working Capital/Recharge Policy Committee was replaced by the Policy Committee on Sales and Service Activities and Service Enterprises. Under the new Committee, the Chancellor asked that a greater emphasis be given to integrating departmental sales, service, and recharge activities and their operations into the normal campus Budget process. In its charge, the Committee's responsibilities were also expanded "to concern itself not only with recharge rates and working capital issues of these entities, but also with other aspects of their operations that have a financial impact on the campus (e.g., their submission of Budgets, the Short-Term Investment Pool (STIP) implications of their billing cycles, their policies about who is charged and for what). It is to advise the Chancellor on policies pertinent to these issues and act on his behalf by monitoring and assisting in policy implementation."

Existing central Budget and financial planning staff have been assigned to support the Committee in this endeavor and to carry out its charge, which is intended not to replace other Budgetary review mechanisms, but to augment them.

### IV. DEFINITIONS

This section consists of three parts, only the last one of which contains strict definitions. The other two describe logical ways of grouping Sales and Service Activities. Section A divides Sales and Service Activities into four distinct functional categories - academic, administrative, medical compensation plans, and health sciences - and Section B divides these activities into twelve types of goods or services provided. Section C defines specialized terms used elsewhere in this policy document.

### **A. Categories of Sales and Service Activities**

All Sales and Service Activities can be categorized according to the area of University life of which they are a part:

1. **Academic**: Academic, non-health science Sales and Service Activities that operationally report to an academic Organization via the Department (e.g., Physics High Technology Group, which reports to the Provost of the College of Letters and Science via the Department of Physics).
2. **Administrative**: Activities that are under the purview of a central administrative department (e.g., Facilities Division, which reports to the Administrative Vice Chancellor). These include Service Enterprises, but not Auxiliary Enterprises.
3. **Medical Compensation Plans (Pay Plans)**: Activities that provide support for eligible faculty and academic improvement funds in the clinical disciplines such as in the Schools of Medicine and Dentistry (e.g., UCLA Medical Group/Surgery, which reports to the Dean of the School of Medicine via the Department of Surgery).
4. **Health Sciences**: Activities that are strictly in the health science area of the campus (e.g., Imaging Laboratory, which reports to the Dean of the School of Medicine via the Department of Radiological Sciences).

### **B. Types of Activities**

This section classifies each Sales and Service Activity by the type of good or service provided. (Refer to Attachment A.)

1. **Campus Support Services**: Activities that serve the entire campus and have annual Income in excess of \$500,000 or have a major campus-wide impact. They include the Office of Instructional Development, Excess Surplus Property, Instant Personnel Service, Facilities, the Medical Vivarium, and all Service Enterprises.
2. **Clinics**: Activities providing services to the general public, usually in a medical setting.
3. **Computer Services**: Facilities providing computer time for faculty and student research and student instruction.
4. **Labs/Tests/Assays**: Activities, mainly in the health sciences, consisting of a mixture of services and tests for off-campus customers and campus contracts and grants.
5. **Library Services**: Activities, under the jurisdiction of the University Library, covering a wide range of services (e.g., research services, computer services, and copying services).
6. **Pay Plans**: Professional service activities provided by faculty physicians and dentists for a fee. These fees provide funds for support of eligible faculty and for academic program enhancements in the clinical disciplines of the Schools of Medicine and Dentistry.
7. **Programs (Revenue only)**: Activities depending solely on off-campus Income as their source of funds.
8. **Publications**: Activities engaging in the regular publishing of journals, magazines and books. They always have inventory on hand.
9. **Royalties**: Collection of Income from the sale of written articles and books by faculty.
10. **Sales/Services/Rentals**: Activities that provide sales of goods, services, or rentals of goods both to on-campus and off-campus customers, and have an annual Income of less than \$500,000 or have an impact only on a limited portion of the campus.
11. **Conferences and Seminars**: Activities existing for the sole purpose of sponsoring annual or one-time conferences and seminars.
12. **Other**: Activities that do not fall in the above categories (e.g., student services and fees).

### **C. General Terms**

1. **Academic Department**: Any department of instruction and/or research, including Organized Research Units.
2. **Academic Department Support Unit**: Any Sales and Service Activity organized within an Academic Department to provide, and charge for, goods and/or services primarily to that and other departments on the campus.
3. **Activity**: Refer to Sales and Service Activities.
4. **Auxiliary Enterprises**: Self-supporting activities that provide goods or services to students, faculty, staff, and visitors (as individuals) upon payment of a specific fee for the goods or services provided (e.g., Residence Halls). This policy excludes these Enterprises.
5. **Budget**: A Budget is the financial expression of the operating plans of a sales and service Activity, which sets forth its functional goals for a specified period of time. It should identify the sources of funding: Recharges, Revenue or subsidy. When approved, Budgets should be entered into the Permanent Operating Budget System for all recurring activities. This is in contrast to temporary appropriation adjustments entered into the General Ledger System.
6. **Central Administrative Fees (CAF)**: A type of charge imposed through the recharge system, by which central administrative units on the General Fund charge self-supporting units for services provided. A CAF recharge is a billing, based on rechargee's relative demand on core services, from one department--categorized in the University's Budget and Financial Systems as one that provides "general administrative or institutional services" and is funded primarily by the General Fund -- to another department that is essentially self-supporting, for a non-contracted service.
7. **Common-funding Recharge**: A charge from one fund to another, often controlled by the same recharging Activity. This technique, when approved, is a way of commingling multiple fund sources within the same Activity.
8. **Contract Recharge**: A type of recharge made by a central administrative unit to a Self-Supporting Unit for goods or services provided by a central administrative unit that are specifically identifiable (i.e., FTE), and require the central administrative unit to acquire additional resources to provide the goods or services. This recharge may be based on a unit price or a negotiated amount.
9. **Direct Costs**: Readily identifiable costs, such as salaries and supplies, that are specifically associated with the furnishing of goods and services by a Sales and Service Activity.
10. **General Fund Recharge Activity**: A Sales and Service Activity which is primarily supported from General Funds but derives additional support by recharging for services or goods.
11. **General Funds**: Money earned from certain fees (e.g., non-resident tuition) plus funds provided by the State of California, which comprise about 93% of the total. Within the overall constraints of the State-approved Budget, General Funds may be used for any operating purpose specified by The Regents.
12. **Income**: Recharges and Revenue.
13. **Indirect Costs**: Expenses that are not readily identifiable with a specific Sales and Service Activity but are properly allocated to it.
14. **Organization**: The highest level of the UCLA Campus "Organizational Hierarchy." (See the UCLA Financial System User Manual.) Organizations typically are headed by Academic Deans and Vice Chancellors.

15. POSSSE: Policy Committee on Sales and Service Activities and Service Enterprises.
16. Recharges: The assessment and collection of a charge by one University entity for goods or services furnished to another University entity. This is the general definition of a recharge. However, there are additional types of Recharges of a specific nature: (1) Central Administrative Fees, (2) Common-funding Recharges, and (3) Contract Recharges. (Refer to items 6, 7, and 8, directly above.)
17. Revenue: Money generated from sources other than Recharges to University departments.
18. Sales and Service Activities: Activities that provide specific services or goods for sale to campus and non-campus activities; have been clearly identified and given a University fund number; and collect Revenue or record Recharges to cover costs. Services might be purchased from commercial sources, but, for reasons of convenience, cost, or control, are more effectively provided through an on-campus unit.
19. Self-Supporting Unit: Refer to Sales and Service Activities.
20. Service Enterprises: Major Sales and Service Activities, primarily self-supporting, whose purpose is to provide a specific type of service to campus departments, and which have operating costs supported by Recharges to the departments receiving the services and sometimes by sales to non-University customers.

## V. STATEMENT

The policy statement below contains two parts: a policy for Sales and Service Activities, and a policy for General Fund Recharges. Sections within the Sales and Service Activities portion cover guidelines for establishing and updating Budgets and rates, criteria for review of Activities, allowable costs, and a schedule for when to update Budgets and rates.

### A. Sales and Service Activities

1. Guidelines for Establishing and Updating Budgets and Rates  
UCLA Sales and Service Activities, with the exception of pay plans and royalties, will operate under the following guidelines:
  - a. All correspondence pertaining to this policy is to be directed to the Policy Committee on Sales and Service Activities and Service Enterprises (POSSSE).
  - b. Requests to establish a Sales and Service Activity are to be submitted to POSSSE staff as described in UCLA Procedure 340.1; a letter to POSSSE staff is required periodically as described in this policy, Section V.A. item 4 detailing the revised Budget, current rates, and any changes to the function of the Sales and Service Activity.
  - c. The Sales and Service Activity's rates, Budgets, accumulated earnings, and working capital requirements will be reviewed by the staff to POSSSE. The reviews will consider the relationship of campus rates to off-campus rates for similar services or goods. Once approval has been obtained, the Sales and Service Activity is required to issue a rate schedule.
  - d. All Sales and Service Activities should follow an accrual accounting system, which entails year-end recording of inventory, accruals, and deferrals as required, unless specifically exempted by POSSSE.
  - e. Costs not associated with the Sales and Service Activity may not be charged to the Activity's operation, unless specifically authorized by POSSSE. For example,

contract and grant overdrafts cannot be covered with Sales and Service Activity funds.

- f. The Sales and Service Activity is required to establish a Budget, both permanent (if recurring) and temporary, that reflects its operations. This Budget will be entered in the Financial System under a unique fund number.
- g. An authorized faculty member or manager of the department is required to accept responsibility for the Sales and Service Activity and its Budget.
- h. The department chair or director--and ultimately the dean or vice chancellor--is responsible for the effectiveness of the services provided and the management of all funds involved, especially assuring that any deficits incurred are eliminated as rapidly as possible.

## 2. Criteria for Review of Activities

The following criteria will be applied, as appropriate, in the review of Budgets and rates when a new Sales and Service Activity is established, as well as in ongoing reviews of established Activities. Pay plans and royalties are exempted:

- a. The Sales and Service Activity should relate to and enhance the University's mission.
- b. A demand should exist for the product on a regular and recurring basis, except in the case of single events, such as a conference, and the demand should produce more than \$2,500 in annual Income.
- c. If the Sales and Service Activity is self-supporting, the principle of full cost recovery--recovery of all costs, both direct and indirect--should be adhered to; if the Activity is to be subsidized, subsidies must be identified and approved in advance. In either case, rates charged should be justified by and consistent with the Sales and Service Activity's expenses.
- d. Customers of non-subsidized Sales and Service Activities should be charged uniformly, unless there are valid reasons for differential pricing (e.g., the need to offer a Federal discount).
- e. Sales and Service Activities should review their rates at least annually and adjust them, if necessary, to eliminate surpluses or deficits. Whenever this requires substantial rate changes, a plan should be submitted to POSSSE staff indicating how the surplus or deficit will be reduced or eliminated.
- f. All rate changes should be submitted to POSSSE staff before the effective date of change.
- g. All inventories recorded at fiscal year-end should be accurately reported: purchased inventories for resale should be based at cost; publication inventories should be valued at lower-of-cost-or-market. Obsolete inventory should not be recorded in the General Ledger.
- h. Accruals and deferrals recorded at fiscal year-end should be substantiated with adequate documentation.
- i. Sales and Service Activities heavily subsidized by the General Fund should comply with the statement regarding General Fund Recharge Activities in Section V.B. item 5.

### 3. Allowable Costs

a. Direct Costs: Described below are specific costs that, if incurred, must be recovered by Sales and Service Activities via their rates. Pay plans and royalties are exempted:

1. Salaries and wages and related employee benefits, including vacation accrual and sick leave usage.
2. Supplies and materials.
3. Depreciation of equipment used in the unit, based on the original cost of the equipment only, not replacement cost.
4. Relating to Service Enterprises only: reserves for future years' expense needs, capital expansion requirements, reserve contingencies, and interest may be recovered through established rates at a level in excess of cost only if a settlement is made yearly to the Federal government for the excess over cost (items 1-3 above) that was charged. This settlement process satisfies the Federal government's requirement on costs for which it will allow itself to be charged.

This settlement can be accomplished by either: (a) refunding amounts to active Federal contracts and grants through establishing a dual-pricing structure for Federal and non-Federal activities, or (b) refunding the excess in a lump sum to the U.S. Treasury. The refund is the responsibility of the Sales and Service Activity and is to be included in the rate and Budget renewal proposal. The staff to POSSSE shall assist in making the refund to the Federal government in a timely manner.

b. Indirect Costs: Indirect Costs, including telephone, office supplies and administrative salaries must be recovered, if incurred. Indirect Costs may be allocated by formula, workload indices or other reasonable methods.

### 4. Schedule, by Type of Activity, for Updating Budgets and Rates

After establishment, all Budgets and rates must be updated and reviewed annually; however, the level of review varies depending on the type of Sales and Service Activity:

- a. Campus Support Services: Budgets, rates, accruals, deferrals, and compliance with UCLA Policy are to be reviewed annually by the staff to POSSSE. Submission of the proposal should be through the Dean or Vice Chancellor.
- b. Clinics: Budgets are to be reviewed annually at the Organizational level, with a report submitted by the Organization to POSSSE staff.
- c. Computer Services: Budgets, rates and compliance with UCLA Policy are to be reviewed by the Organization annually, with a status report to POSSSE staff. POSSSE staff is to review Budgets, rates and compliance with UCLA Policy on a two-year cycle.
- d. Labs/Tests/Assays: Budgets, rates and compliance with UCLA Policy are to be reviewed annually on an Organizational level, with a report submitted by the Organization to POSSSE staff indicating that the review has been performed and detailing the results and actions to be taken. POSSSE staff will then decide from the report if additional analysis is necessary.

- e. Library Services: Budgets and rates are to be monitored and reviewed annually by the University Library, with POSSSE staff reviewing the annual Budget and being copied on any correspondence relating to rate changes and Budget updates.
- f. Pay Plans: Budgets are to be reviewed annually by the appropriate personnel in the Chancellor's Office.
- g. Programs (Revenue only): Budgets are to be monitored and reviewed by the Organization annually, with a status report to POSSSE staff. POSSSE staff is to review Budgets on a two-year cycle.
- h. Publications: A list of current prices, a Budget for the following year, and copies of the accrual, deferral, and inventory information sent to Accounting are to be submitted to POSSSE staff at each fiscal year-end Closing, with copies to the Organization or schedules submitted to the Organization, with a copy to POSSSE.
- i. Royalties: Budgets are to be reviewed annually at the Organizational level, with a copy to POSSSE staff.
- j. Sales/Services/Rentals: Budgets, rates and compliance with UCLA Policy are to be monitored and reviewed annually at the Organizational level and Sales and Service Activities directed to adjust pricing for a break-even operation. POSSSE staff is to receive an annual report from the Organization and be informed of any rate changes.
- k. Conferences and Seminars: Budgets and registration fees are to be reviewed annually at the Organizational level, with a copy to POSSSE staff.
- l. Other: Budgets are to be reviewed annually at the Organizational level, with a status report being submitted by the Organization to POSSSE.

### **B. General Fund Recharge Policy: Budgets, Rates, and Core Support**

A General Fund Recharge Activity may be established only after a written request is submitted to and approved by POSSSE. All four types of Recharges may be made by an approved General Fund Recharge Activity. Refer to Section IV.C., items 6, 7, 8, and 16. General Fund Recharge Activities will be guided by the following:

1. Services rendered by general administrative units normally are provided without charge to campus departments or activities supported by General Funds. Self-supporting activities, however, are to be recharged for services provided on a unit cost basis or charged a negotiated amount, which reflects full cost recovery, in accordance with University policy.

#### For Central Administrative Fees only:

- a. The following central administrative units are authorized to charge Central Administrative Fees. These units are predominantly supported by the General Fund, recharge through the General Fund, and provide services to campus departments:

#### Units Authorized to Charge Central Administrative Fees:

- Accounting/Payroll/Finance
- Central Collections
- Internal Audit
- Business Services
- Property Management (REAL)
- Equipment Management



- Purchasing
  - Cashier
  - Staff Personnel
  - Insurance and Risk Management
  - Receiving
  - UCLA Police
  - AIS and Financial Training
  - Mail & Document Services
- b. The following units are authorized to be charged Central Administrative Fees. These are units which have annual Income of \$100,000 or more and are essentially Self-Supporting Units that can charge full costs and still remain competitive. They are listed in two categories which are differentiated by their source of Income: (Activities housed in Academic Departments, except those listed below, are excluded.)
1. Auxiliary Enterprises and Other Major Activities That Receive Most of Their Income From Individuals:
    - Hospital
    - Neuropsychiatric Hospital
    - Faculty Practice Plans (considered collectively and including the Medicine and Dentistry Compensation Plans)
    - Various Clinically-based Programs (considered collectively and e.g., Tissue Typing, Regional Organ Procurement Agency)
    - Dental Clinics
    - Center for the Performing Arts (CPA)
    - Housing and Food Services
    - Intercollegiate Athletics
    - UNEX
    - Summer Sessions
    - Parking and Commuter Services
    - Lake Arrowhead Conference Center/Bruin Woods
    - University Elementary School
    - Anderson GSM Executive Programs/Executive MBA Program
    - ASUCLA
    - Faculty Center
    - Credit Union
    - Child Care Services
  2. Major Activities with Income Generated Primarily from Charges to Other Departments or Capital Projects:
    - Storehouse/Rental Pool
    - Fleet and Transit Services
    - Telecommunications

- Instant Personnel
- Facilities Management
- Cylinder Management
- In-Service Training
- Excess and Surplus Property Operations
- UCLA Police
- Capital Programs
- Central Ticket Office
- Event Management
- Mail & Document Services

All units authorized to charge Central Administrative Fees will fully charge all units eligible to be charged for services provided. The provision of services by a charger is by mutual agreement with the unit being charged, unless such service is determined by the Chancellor, in consultation with the Executive Budget Committee, to be for the good of the campus as a whole.

2. Recharge rates are to be based on both direct and Indirect Costs (i.e., administrative costs that may be appropriately allocated to the recharge service). The fee includes salaries, wages, benefits, supplies, and other identifiable costs associated with providing the service and should approximate the costs incurred by the charger.

For Central Administrative Fees only:

Those units charging Central Administrative Fees are accountable to the unit being charged for the costs included in the fee. The fee should not include core costs that would exist even if there were no recharge Activity. Consequently, under normal circumstances, costs for such individuals as department chairs, department managers, assistant vice chancellors, and their immediate staff should not be included.

Central Administrative Fees are to be applied only to the earned Income of the units being charged; therefore, they are not applied to those portions of the Budget of a unit being charged that come from federal contract and grant overhead, donations, registration fees, or other types of Chancellorial subsidies. For instance, Central Administrative Fees are applied only to the 35% of the total Operations and Maintenance Plant (OMP) Budget that is not on the General Fund and is not applied to the Chancellorial subsidy in the Department of Fine Arts Productions.

3. Automatic General Fund increases for salary range adjustments, merits, and employee benefits will be withdrawn in accordance with University policy when they are related to salary expense that is included in the Activity's recharge rate recovery.
4. Recharge rates of General Fund Recharge Activities are to be reviewed annually at the Organizational level, with a copy to POSSSE staff.
5. Recharge activities that have received General Fund Budget augmentations or subsidies (in lieu of recharging) for providing services to campus units may not unilaterally change the service, the level of service, or subsequently initiate Recharges for them. To adjust these services, the General Fund Recharge Activity must be able to identify the services or level of service for which the subsidies were received, and the departments or activities to whom the services are provided. POSSSE will review the total Budget--both General

Funds and recharge Income--and will recommend to the Chancellor through the Executive Budget Committee whether an adjustment in the General Fund Budget, an adjustment in the recharge rate, an adjustment in the services provided, or some combination of all of these is warranted.

6. All Central Administrative Fee Income is retained by the Administrative Vice Chancellor. As part of the annual Budget process, Central Administrative Fee Income and its proposed usage is reported to the Chancellor through the Executive Budget Committee for approval.
7. Certain General Fund Recharges may be negotiated rather than based on a unit price for goods or services.
8. General Fund inventories are to be recorded if their value exceeds \$50,000 a year. The need and size must be justified and be approved by POSSSE.

## **VI. ATTACHMENTS**

- A. UCLA Academic Planning & Budget Web site, Sales and Service Activities and Services Enterprises by Type [[www.apb.ucla.edu/sales&service/510a.htm](http://www.apb.ucla.edu/sales&service/510a.htm)]

**Issuing Officer**

**/s/ Glyn Davies**

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**Assistant Vice Chancellor, Academic Planning  
& Budget**

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**Questions concerning this policy or procedure should be referred to  
the Responsible Department listed at the top of this document.**

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