

## Program Income Rate Setting Guidelines

October 2015

### 1. Introduction

Rates that are determined for selling services and commodities are to be based upon the full costs, in accordance with federal guidelines and the Administrative Policy Statement, 59.5.

<http://www.washington.edu/admin/rules/APS/59.05.html>

### 2. Rate Setting Principles for Program Income Budgets Reviewed by MAA

#### Information to Gather and Retain

- At a minimum, the following information should be clearly identified, documented, and retained by the Department (according to requirements of [UW Records Retention Schedule](#)).
  - Expenditure, revenue, usage, data needed to calculate the rate(s).
  - The method used to calculate the rates and track usage.
  - Billing records identifying the budget numbers or external customers charged, service performed or product sold, # of units sold, rate charged, and total amount billed.

#### Usage

- Usage is the type and number of units being sold or hours of services performed.
- For each good/service for which there is a separate rate, list the estimated usage/unit to be charged for.
- All usages must be tracked and factored into the rate calculation.

#### Internal (UW) User Rates

- All UW users, defined by paying with a UW budget number, must be charged the same rate(s) for the same level of service or products under the same circumstances. If special circumstances exist due to sponsor requirements, please contact MAA.
- Volume discounts or other special pricing mechanisms must be preapproved and equally available to all users who meet the eligibility criteria.
- Internal user rates must be based upon actual costs.
- Program income budgets should be charged for all usage of goods or services.
- Rates of one service cannot be used to subsidize rates of another service.

#### External User Rates

- Such rates should account for the full costs of the goods or services, including the University Administrative fee of 8%, and take into account the existing market rate for the same or similar goods or services.
- The Administrative fee applied to program income budgets is 8% of TDC (total direct cost). This 8% fee needs to be added to the external rate and incorporated in the final charge to the external user.

#### Sales Tax

- Refer to [Program Income Guidelines](#) section 4.2.1.2.

#### Unrelated Business Income Tax (UBIT)

- Refer to the [Tax Office](#) website.

#### Equipment

- Equipment can only be purchased on a program income budget if the expenditure is in compliance with the terms and conditions of the associated sponsored award. If equipment is purchased on the program income budget, the cost of the equipment cannot be recovered through recharge rates.

### **Deficits, Surpluses and Working Capital**

- Unless specified otherwise in the sponsored award, or prior approval for specific use of balance has been granted by the sponsor, deficits and internal surpluses should be included in the program income rates for the next rate cycle, with the following exceptions:
  - Program income budgets can retain on an ongoing basis a maximum of 60 days of current expenditures as working capital in their program income budget with prior MAA approval. Any amount over should be included in the following year rates.
  - In certain circumstances a deficit may be recovered over more than one year, within a grant period, with prior MAA approval of a recovery plan.
- When costing the rates, the terminal end of the award must be taken into consideration. Any surplus funds, including the 60 day working capital amount, remaining in the program income budget at the end of the award will be returned to the sponsor. Any deficit will need to be transferred to an allowable departmental budget.

### **3. Additional Program Income Budget Requirements**

#### **Submitting Rate Proposals to Management Accounting and Analysis (MAA)**

- Program income budgets that charge greater than or equal to \$175,000 to internal UW federal grant or contract budgets **or** generate greater than or equal to \$1,000,000 in total sales on an annual basis, must submit rate proposals to their Dean's/VP's Office and MAA annually and when:
  - They are initially established.
  - New services or products are added.
  - Significant changes are made to the methodology used to calculate the rate(s).
- Program income budgets that charge less than \$175,000 to internal UW federal grant or contract budgets **and** generate less than \$1,000,000 in total sales on an annual basis must submit rate proposals to their Dean's/VP's Office annually. They must submit rate proposals to both their Dean's/VP's offices and MAA when:
  - They are initially established.
  - New services or products are added.
  - Significant changes are made to the methodology used to calculate the rate(s).

#### **Submitting Quarterly Financial Reports**

- Program income budgets must submit quarterly financial reports to MAA if they charge greater than or equal to \$175,000 to internal UW federal grant or contract budgets **or** generate greater than or equal to \$1,000,000 in total sales on an annual basis.
- All program income budgets must submit quarterly financial reports to their Dean's/VP's Office.