Recharge Centers (Service Centers) and Program Income

Jennifer Mitchell
Director of Cost Studies & Effort Reporting
Office of Financial Operations
What is a Service (Recharge) Center?

A Service Center is an Operating Unit that has the expertise to provide specialized services/goods to internal (NU) customers on a recurring basis and needs to recover the costs of providing the goods/services.

- Costs of providing the good/service are recovered through fees to users, primarily Northwestern faculty, staff, and students.
- Service Centers aka. Recharge Centers.
Why Do We Need Service (Recharge) Centers?

- Good and/or service may not be otherwise available
- Increase procurement efficiency or convenience

Examples:
Use of a MRI machine, Cleanroom, Machine shop, etc.
Categories of Service Centers

- **Specialized Service Facility**
  (Direct + Indirect = Fully loaded costs)
  e.g., CCM (Animal Facility), Telecommunication

- **Core Facilities**
  (Shared resources with a research aim)
  e.g., Genomics, IMSERC

- **University-wide Service/Recharge Center**
  (Managed by Central – e.g., Facility Management)

- **Department Recharge Center**
  (Operated by a department)
  e.g., Machine shop
When is a Recharge Center Needed?

• Examples
  – **Recurring Use** of an instrument by other researchers and need to recover the labor, maintenance, and/or applicable equipment depreciation cost
  – **Recurring Services** to provide goods or expertise to users and need to recover the operating costs

**Contact us!** A cost study of the recharge rates should be performed to ensure the charges are based on actual costs and **No profit is built into the rates for internal usage**
SETTING THE RECHARGE RATES - COST BASED APPROACH

The Basic Equation:

\[
\text{Direct Operating Costs: Labor (Salary + Fringe)} + \text{Direct Operating Costs: Non-Labor Costs (supplies, maintenance contracts, etc.)} + \text{Annual Equipment Depreciation (if utilized*)} - \text{Subsidies} \rightarrow \text{Prior-year balance}
\]

\[\div \text{Projected # of Goods or Services Sold}\]

= "Calculated" Rate per Unit (may not be the same as the Actual Recharge Rate)

*Special attention to utilizing equipment depreciation (see later slides)
Examples of Measurable Units for Goods or Services

• Labor hour
• Machine hour
• CPU unit
• Per Rack Unit
• Daily rate
• Test
• Slide
• Page
• Cup
Recharge Rates & Subsidy Consideration

• Most recharge centers are supported (subsidized) by the university, school or department
• Charges to users must be equitable so no Federally sponsored user subsidizes another user
  – If a lower rate is provided to certain users only, subsidy/support from another allowable source should be provided to account for the difference
• Recharge rates are cost-based; the revenue from the recharge center cannot be treated as profit and used to purchase capital equipment or fund department deficits
• Recharge rates should be reviewed and approved by Cost Studies on an annual basis
  – Use the annually approved rates to charge users
What is the treatment of revenue when a recharge center supported by federal grant(s) generates a net surplus during the award period?
Program Income

• Program income is gross income—earned by a grantee, a consortium participant, or a contractor under a grant—that was directly generated by the grant-supported activity or earned as a result of the award

• Any costs associated with the generation of the gross amount of program income that are not charged to the grant should be deducted from the gross program income earned, and the net program income should be the amount reported

• Must be reported to the agency
Examples of Program Income

- **Fees for services performed**
- Money from the use, sale, or rental of equipment purchased with project funds
- Sale of supplies or equipment purchased or fabricated with project funds
- Sale of software, tapes or publications
- Sale of research materials, such as animal models, vectors, or reagents
- Fees from participants at conferences or symposia
# Use of Program Income

<table>
<thead>
<tr>
<th>Program Income Alternative</th>
<th>Use of Program Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additive</td>
<td>Added to funds committed to the project or program and used to further eligible project or program objectives.</td>
</tr>
<tr>
<td>Deductive</td>
<td>Deducted from total allowable costs of the project or program to determine the net allowable costs on which the Federal share of costs will be based.</td>
</tr>
<tr>
<td>Combination</td>
<td>Uses all program income up to (and including) $25,000 as specified under the additive alternative and any amount of program income exceeding $25,000 under the deductive alternative.</td>
</tr>
<tr>
<td>Matching</td>
<td>Used to satisfy all or part of the non-Federal share of a project or program.</td>
</tr>
</tbody>
</table>
Roles and Responsibilities

Service Center Director/Mgr

• Manages routine operations
• Prepares rates
• Adhere to the approved rates when charging customers
• Tracks financial performance
• Administers billing and collection activities

Office of Cost Studies

• Assists in development
• Reconciles capital equipment information
• Reviews and approves rate calculation
• Helps correct non-compliant practices
• Establishes/monitors adherence to policy

For more information:
http://www.northwestern.edu/coststudies/recharge.html
Questions?