Recharge Centers (Service Centers) and Program Income

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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.
- 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 other university 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 Cost-Based and No profit is built into the rates
**SETTING THE RECHARGE RATES - COST BASED APPROACH**

**The Basic Equation:**

\[
\text{Direct Operating Costs:}\ \text{Labor (Salary + Fringe)} + \text{Direct Operating Costs: Non-Labor Costs (supplies, maintenance contracts, etc.)} + \text{Annual Equipment Depreciation (if utilized*)} + \text{Subsidies & Prior-year balance} \div \text{Projected # of Goods or Services Sold}
\]

= “Calculated” Rate per Unit

(may not be the same as the Actual Recharge Rate)

* Special attention to utilizing equipment depreciation (see later slides)
Recharge Rates & Subsidy Consideration

• Charges to users must be equitable so no Federally sponsored user subsidizes another user*

• Recharge rates are cost-based; the revenue from the recharge center cannot be treated as profit and used to purchase capital equipment

• Recharge rates should be reviewed and approved by Cost Studies on an annual basis*
Grant-Supported Recharge Centers

• Most recharge centers are supported by the University, school or department

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 net gross income earned that was directly generated by the grant-supported activity or earned as a result of the award during the award period.

**Examples**

- 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
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

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- 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?
Appendix - Examples of Measurable Units

- Labor hour
- Machine hour
- CPU unit
- Per Rack Unit
- Daily rate
- Test
- Slide
- Page
- Cup