

Instructions for Submitting Recharge Rate Proposal for 2009-10

The following provides the parameters to be used in developing proposed recharge rates, campus expectations, proposal submittal requirements and direction on where to find recharge guidelines, policies, templates and assistance. As usual, all requests will be carefully reviewed for consistency with policy by the Direct Costing Committee.

All recharge rate submittals should be sent to Principal Budget Analyst Troy Lawson in Planning and Budget by March 20, 2009 for review by the Direct Costing Committee. Reviews will be conducted and the recommendations of the Committee will be forwarded to Vice Chancellor Michaels in June 2009.

Background

The Governor's proposed budget, released December 31st, proposes to permanently reduce the UC budget by \$65.5 million in 2008-09. For 2009-10, the Governor's budget proposes to fund UC under the Compact for Higher Education, but then subsequently deletes this identical amount as an "unallocated reduction". The \$65.5 million permanent budget reduction remains from 2008-09. The Governor's proposed budget will now go to the State Legislature for review. This review can result in many changes to the State's proposed budget. The final budget for 2009-10 requires a two-thirds vote in both houses of the Legislature and will most likely not be known until June 30, 2009 or even later. We will not know the full impact of the State Budget to the University until that time; however we anticipate that budget reductions will be significant even under the best of scenarios.

Parameters

The Regents have indicated a need to resume required employer contributions to the UC Retirement System (UCRS) effective 2009-10. While the Regents have yet to decide on the amount or effective date of required employer contributions, recharge units should assume UCRS contributions in the amount of 4% of eligible payroll effective April 1, 2010. This assumption is based on the Governor's budget and could change depending on actions taken by the Regents.

Recharge units should also factor into rate calculations an approximate 5% increase in existing benefit costs as well as a 5% increase in wages for represented staff that do not have a current contract. For units that have represented staff who have contracts please use the increases that have been bargained. There are no wage increases for non-represented staff.

These planning assumptions are based on the best available budgetary information at this time, and may change as policy and program decisions are reached later this year. Planning and Budget will keep you informed as more information becomes available.

Campus Expectations

All recharge units are, by UC policy, required to submit rate proposals that reflect a balanced budget which fully recovers costs. In light of the planning assumptions outlined above, it is recognized that recharge units will experience increased cost pressures in 2009-10. However, given the extraordinary fiscal challenges we face, new recharge rates or increases to rates for recharge activities that have a campus wide impact in 2009-10 are discouraged.

Consistent with this, all recharge units are asked to internally review their spending patterns and organizational structures to determine how services can be effectively delivered at the lowest possible costs. Recharge units may consider a range of options to control overall operational costs, including

changes in service delivery, frequency of service, and quality of service. Activities requesting rate increases will be asked to identify what cost saving measures and/or revenue enhancing plans will be implemented to help mitigate these increased costs. As usual, all requests will be carefully reviewed by the Direct Costing Committee.

As a reminder, recharges are not a vehicle to increase the level of service(s) or to expand services. This is particularly true of those recharge goods and services not competitively obtainable elsewhere. For this reason, new expenses reflected in a recharge rate activity (e.g. new positions, costs related to new or enhanced levels of service, additional administrative overhead, costs formerly covered by other fund sources, etc.) are closely examined and may require the review and approval of the Campus Provost and Executive Vice Chancellor.

Instructions for recharge activities that have a campuswide impact

All activities listed below have been identified as having a campus wide impact on recharge goods and services not competitively obtainable elsewhere. For 2009-10, these recharge activities must submit a full recharge rate packet to the Direct Costing Committee containing all applicable templates. Upon review of the recharge activity, additional information may be requested of the recharge unit. Recharge units are welcome to provide additional clarifying documentation with the original submittal.

Physical Plant

- Building Maintenance/Skilled Crafts
- Custodial
- Fleet Services
- Grounds
- Refuse Disposal
- Work Management

University Business Services

- Mail Services

Fire Department

- Fire Marshall Services

Physical Planning and Construction

Information Technology Services

- Technical Support Services

Activities charging Federal funds may have additional reporting requirements. Those requirements are described in the following section.

Instructions for activities that do not have a campuswide impact

A. **If no rate increase is proposed:** Activities that do not have a campus wide impact and are not requesting a recharge rate increase should submit "Template 1 – Recharge Rate Questionnaire" to the Direct Costing Committee along with a list of current rates charged by the recharge activity. If applicable, indicate where any rates are decreasing. **Rates not submitted for 2009-10 will expire as of June 30, 2009.** Recharge units should complete a copy of the annual Comparative Income Statement and keep it within the unit or division. Upon review of the recharge activity additional information may be requested of the recharge unit including, but not limited to, a full recharge packet. Recharge units are welcome to provide additional clarifying documentation with the original submittal.

B. Activities that do not have a campus wide impact may request a new recharge rate or an increase to an existing rate: To request a new recharge rate or an increase to a current recharge rate, submit a full recharge rate packet to the Direct Costing Committee containing all applicable templates. Upon review of the recharge activity, additional information may be requested of the recharge unit. Recharge units are welcome to provide additional clarifying documentation with the original submittal.

Charging the Federal Government

If the recharge activity charges Federal funds, compliance with OMB Circular A-21 requires use of one of the following methods:

1. Single rate comprised solely of federally allowable expenses.
2. Dual rates for the same service - both a non-federal rate and a federal rate. The federal rate excluding federally unallowable expenses.
3. Refund unallowable costs billed to Federal funds.

If either the dual rate #2 or refund #3 methods are utilized, a full recharge packet is required to be submitted to the Direct Costing Committee containing all applicable templates. A separate Template 2 (Comparative Income Statement) and Template 3 (Recharge Rate Comparison) must be completed in support of both the non-federal rate and federal rate. The federal rate Template 2 (Comparative Income Statement) may only include federally allowable expenses prorated on the percentage of recharge activity revenue attributable to Federal funds.

In the case that the refund #3 method is utilized, you will also need to complete Template 9 (Refund to Federally Funded Contracts and Grants).

Guidelines, Planning Parameters, and Forms Are Available On-Line

Guidelines for Recharge Activity Submittals, Recharge Rate Policies and all relevant templates needed for your recharge rate packet submittal to the Direct Costing Committee are available on the web at: <http://planning.ucsc.edu/budget/rechargerates.asp>. **Units must use current templates.** At the above website, you will also find the current list of Approved Recharge Rates for 2008-09.

If you have any questions about recharge rates or need assistance, please contact Troy Lawson at 9-4338 or telawson@ucsc.edu.

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