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**Policy and Procedures for Chargebacks**

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Some time ago the Resource Administration Group drafted a proposal concerning the policies and procedures that are to be followed for the initiation and operation of chargebacks. This proposal has been reviewed and is hereby approved. It is effective immediately. The following chargebacks have been in effect and may remain in effect but will be subject to review during the current year as provided in the policy:

1. Materials costs in the Reproduction Center.
2. Per impression charge for all Xerox copies.
3. Servicing of office equipment by GSA.
4. Supplies and forms from campus stores.
5. Repair parts for departmental-owned vehicles.
6. Construction/remodeling costs (initiated by unit).
7. Telephone and postage for projects funded in independent operations.
8. Overtime for off-campus groups.

[Please inform the appropriate people in your unit of this newly-established policy.]

**INTRODUCTION**

Units on campus receive resources to operate programs and provide services which are a part of their responsibility. In some instances, resources are provided to units in order that they can provide materials and/or services to other units. In addition, some units have been a "clearinghouse" for the centralized purchase of goods and services. In some cases, the cost of these items has been billed to the units using them. In other instances, they have simply been provided by the unit responsible for the centralized acquisition.

The policies and procedures which follow are to inform the method by which decisions are made concerning the providing of services or the purchase of materials centrally and whether or not the costs should be billed to the various units.

**DEFINITION**

A chargeback is defined as the billing to individual units within the University for the materials and/or services which they use which have been provided by another unit.

## **POLICIES**

1. As a basic principle, chargebacks should be viewed as a cost control mechanism, not as a means for increasing the operating expense budgets of units that provide a service (service provider).
2. A chargeback may be instituted only when the costs are incurred at the discretion of the receiving unit.
3. A chargeback should be considered where it is important to have the locus of budget responsibility with the unit administrator. In these cases, expenditures are at the discretion of the unit administrator and the "point of control" of costs should reside with that administrator.
4. The chargeback should represent the direct cost of the materials and/or labor provided.
5. A chargeback may be instituted when it is cost-effective; i.e., the benefits outweigh the costs.
6. A chargeback may be instituted only for non-routine services not provided for in the budgets of service providers.
7. An established chargeback may be waived for services that are of primary value to the University as a whole.
8. When chargebacks are instituted, recognition of these costs should be provided in the budgets of the units to be charged. The costs to be included and excluded in the chargeback should be clearly identified.
9. Service-providers will report chargebacks to cost centers on a timely basis.

## **PROCEDURES**

1. Chargebacks must be approved in advance of their implementation. In order to make appropriate adjustments within budgets, new chargebacks will only become effective at the beginning of a fiscal year.
2. If a unit providing materials or services proposes a chargeback the following procedure must be followed:
  - a. A preliminary assessment must be made by the proposing unit to determine whether or not the chargeback merits consideration under the policies outlined above.
  - b. A proposal must be submitted to the Resources Administration Group (RAG)\* and must set out the rationale which justifies the request and must include information concerning costs which justify the charges proposed. A listing of the various charges for materials and/or labor to be provided must be included in the proposal.
  - c. RAG\* will review the proposal and will make a recommendation concerning it to the Vice President, Operations.
  - d. The Vice President, Operations, will consult with other appropriate bodies and the final decision will be made by the President.
3. Proposed changes in approved chargeback fees, except for minor adjustments to reflect fluctuations in material and labor costs, must be submitted through the approval process outlined above.
4. RAG\* will annually review campus chargebacks and may, after consultation with the appropriate units, recommend that changes be made in chargebacks or that individual chargebacks be eliminated. This review will occur prior to the time that budget allocations are made so that any changes in chargebacks can be considered in the normal process of developing allocations.

**\*Currently, the Chargeback Committee**