



TEXAS A&M
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Office of Cost Analysis

DIVISION OF FINANCE AND BUSINESS SERVICES

Service Center Rate Study Training

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Agenda

1. Understand what a service center includes
2. Review the governing policies and identify common compliance risks associated with service centers
3. Understand the purpose of the rate study process and how service center rates are calculated
4. Review the Rate Study Process
5. Case Study – Multi-Service Line



Service Centers

What is a Service Center?

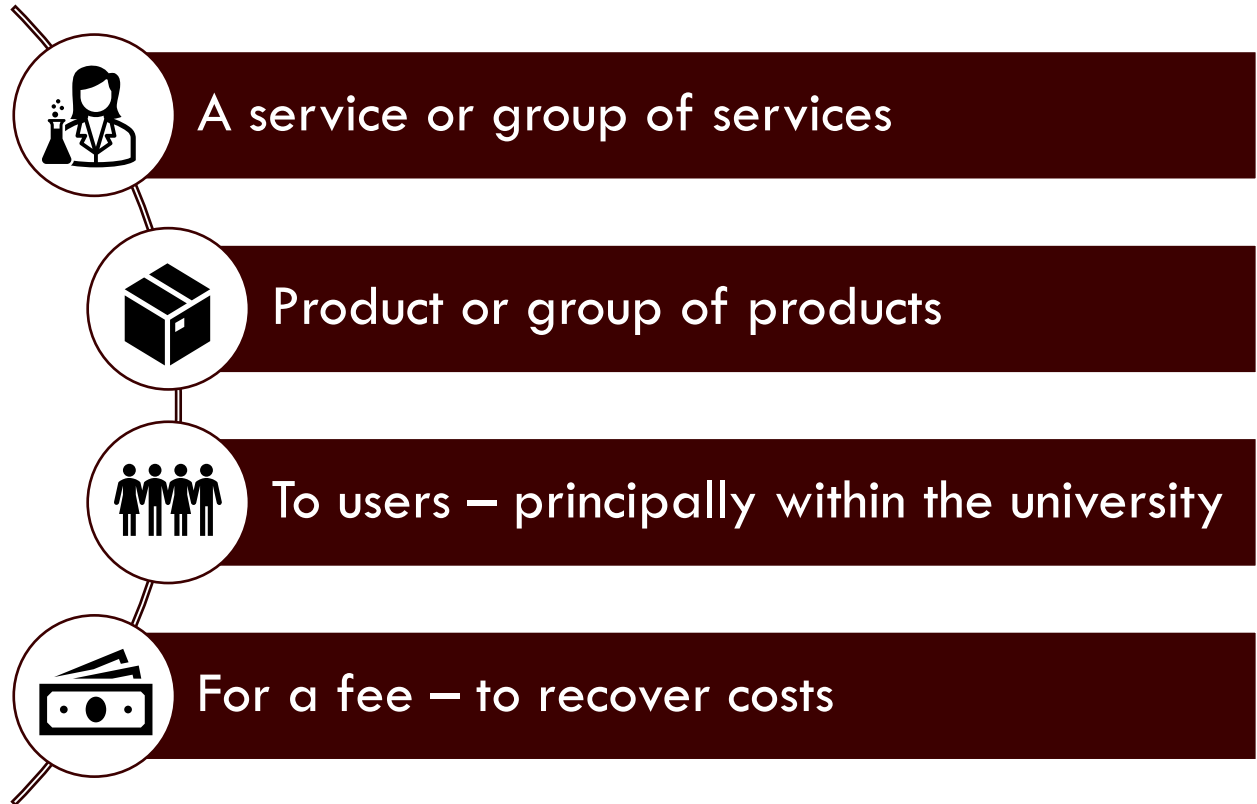
What is a Service Center?

TAMU SAP 21.01.05.M0.01

“ a unit within a member that provides goods or services at approved rates to departments within that member and to other members on a break-even basis. Services may be provided incidentally to external customers or individual users. ”

What is a Service Center?

An operating unit within
TAMU providing:





What is a Service Center?

- Other names:
 - Department Recharge Center
 - Member-wide Service Centers
 - Minor (up to \$750,000 total expenditures)
 - Major (\$750,000 or more total expenditures)
 - Core facility
 - Specialized Service Facility/Center



What is a Service Center?

- Most, but not all service centers are subject to our review
- Certain service centers, acting as pass-through entities, do not undergo our review process.
 - Examples include those where costs are collected and then allocated out, such as SSC Service and Copier Services.



Governing Policies

System Regulation 21.01.05

University SAP 21.01.05.M0.01

2 CFR Part 200 (Federal)



Federal Regulation Principles

- Services charged on actual usage
- Consistent treatment of rates among users
- Rates based on anticipated costs
- SSF – include direct and allocable F&A costs
- Rates calculated at least once every two years



SAP Service Center Requirements

- Must complement the mission of the University
- The service is not readily available outside of the University and the service is best if the University provides the service
- Service center accounts are designed to be breakeven operations
- Service center managers must retain adequate documentation in accordance with 2 CFR § 200.334
- All users of the service must be charged. All TAMUS users must be charged the same break-even rate, in accordance with System Regulation 21.01.05



Compliance Guidelines

- Rates should recover no more than the cost of the good or service
- Rates must break-even over time, not necessarily each year
- Rates do not discriminate between users, especially Federal awards
- Surplus from service center cannot be used to fund unrelated activities



Compliance Guidelines

- Must maintain published price list
- Rates may include depreciation expense only, not the full cost of equipment
- Subsidies for specific groups of users must be accounted for as part of the rate calculation



Compliance Challenges

Issues with Rates:

- Not based on actual cost
- No rate study performed
- Use of flat user costs
- Departmental surcharge in rate
- Unallowable costs in rate
- Depreciation on federal equipment in rates
- Not factoring in non-paying customers



Service Center Rate Study

Why is it required?



Why Are Rate Studies Required?

- **Cost Recovery:** Ensure fees cover costs.
- **Transparency:** Clarify cost allocation.
- **Efficiency:** Optimize resource use.
- **Compliance:** Meet federal regulations for sponsored/grant agreements.
- **Accountability:** Ensure fair rates for all users.
- **Break-even Operations:** Verify service center operates at a sustainable rate.



Rate Study Requirements – TAMU SAP 21.01.05.M0.01

- *Department Recharge Centers – Operate on pass-through basis. The rates must be reviewed annually by the service center manager. No approval by OCA is required.*
- *Member-wide Service Centers – Service Center Manager or OCA may request a rate analysis at any time if a more significant rate adjustment is deemed necessary. OCA reserves the right to perform random audits of these rates.*
 - *Minor Member-Wide Service Centers (<\$750K expenditures annually) – Rates are analyzed, reviewed and approved biennially by OCA*
 - *Major Member-Wide Service Centers (>\$750K expenditures annually) – Rates are analyzed, reviewed, and approved annually by OCA*
- *Specialized Service Centers - Rates are analyzed, reviewed, and approved annually by OCA*



Rate Study Requirements

- **Compliance Issues:**
 - Annual rate study required until compliance achieved, regardless of expenditures
- **Minor Changes or New Service Lines:**
 - Amendments permitted between rate study submissions
 - Request review and approval from OCA
 - Process outlined in TAMU Standard Administrative Procedure 21.01.05.M0.01



Calculating Service Center Rates



What is a Rate?

- The amount charged to recover the cost associated with producing a good or providing a service.

$$\text{Rate} = \frac{\text{annual federal allowable costs for good/service (g/s)}}{\text{the total annual billing units associated with g/s}}$$

- Rates charged to TAMUS users MAY NOT be greater than those charged to non-TAMUS users.
- The fed rate is always the subsidized/TAMUS rate.



Calculating Rates

Full Cost Rate =

$$\frac{\text{Total Expenditures}^{**}}{\text{Number of Unit}}$$

Subsidized Cost Rate =

$$\frac{\text{Total Expenditures}^{**} - \text{Subsidies}}{\text{Number of Units}}$$

** (Salaries/Benefits + Supplies/Materials + Cost of Goods Sold (if applicable) + Equipment Depreciation +/- PY Deficit/Surplus)



Subsidized Cost Rate

$$\text{Subsidized Cost Rate} = \frac{\text{Total Expenditures}^{**} - \text{Subsidies}}{\text{Number of Units}}$$

** (Salaries/Benefits + Supplies/Materials + Cost of Goods Sold (if applicable) + Equipment Depreciation +/- PY Deficit/Surplus)

Subsidies - funding which supports service center operations but is paid from another account.

i.e., departmental account buys supplies for use by the service center. Departmental account pays the salary of a service center employee.



Non-Recoverable Costs

- Purchase price of capital equipment
- Building depreciation
- Depreciation of equipment purchased by federal funds
- Inventory not consumed in year of purchase
- Facilities expense (utilities, maintenance, and custodial cost) paid directly by the University and not recorded in the service center account



Unallowed Costs

Any cost that is not necessary to produce/provide the service lines that are offered by the service center. The expenses must have legitimate business reasons.

Examples, but not inclusive of all unallowed costs:

Advertising	Housing/Housing Allowances/Personal Living Expenses
Alumni Costs	Interest
Bad Debt	Investment Counsel
Commencement/Convocation Costs	Legal Costs
Contingency Reserve Costs	Lobbying
Donations or Contributions	Membership to Community or Civic Organization
Entertainment including:	Membership to Social or Dining Clubs
Meals	Personal Use of State Owned Vehicle
Alcoholic Beverages	Personal Use of Goods or Services
Social Activities	Public Relations
Tickets to Shows or Sports events	Student Publications
Rental	Intramural Activities
Fines or Penalties	Student Clubs
Fund Raising	Travel and Subsistence Costs of Trustees



Rates for Service Centers with Multiple Services

- Establish rates for each line of service
- Identify costs, revenues, surpluses, and deficits separately for each line of service
- Surplus or deficit for each service adjusts billing rate for following or next succeeding year
- Allocate costs among different service lines
- Charge calculated and approved rates consistently to customers



Non-Discriminatory Rates

- Internal Users – Same rate for same level of services or products under same circumstances
- External Users – Higher rates permissible
- Federal Agencies – Charged Lowest Rate
- TAMU Currently Allows for Three Rate Categories:
 - TAMU System & Federal Users: Lowest subsidized rate
 - Non-TAMU System Users: Full cost rate (e.g., other educational institutions, non-profits)
 - Other or Market Rates: Higher rates for commercial/private companies



Variable Billing Rates

- Federal government always charged lowest rate, except with alternate pricing structures
- Users not charged or charged reduced rates must impute full revenue for computing annual surplus/deficit
 - Exception: Alternative pricing structures related to timeliness or service quality
- Acceptable alternative pricing structures based on time-of-day , volume discounts, turn-around time, etc.
 - Must have sound management basis and not exceed cost recovery
- *Note: Surpluses/deficits for multiple service units in specialized centers treated individually. One unit's surplus/deficit not used to offset another unit's*



Service Center Rate Study Process

Completing the Rate Study



Service Center Rate Study Process Overview





Rate Study Template and Support

- Each year Cost Analysis provides a template for Single Service Line and Multi-Service Line Service Centers
- Step-by-step instructions are available with guidance for completing templates
- Cost Analysis lead individual or group training and assistance is available year-round
- **Flexibility:** Service Centers are not mandated to use the template. Cost Analysis offers assistance in tailoring or adjusting templates to meet specific needs



Rate Study Requirements

- **Standard Rate Study Template:**
 - Recommended for consistency and ease
 - Includes necessary worksheets for data submission
- **Alternative Rate Study Template:**
 - Acceptable if standard template not used
 - Still requires submission of expense supporting information for cost data
- **Required Worksheets for Alternative Template:**
 - Service Center Contact Information
 - Self-Certification
 - Customer List
 - Summary with Rate Calculation
 - Fund Balance Calculation



Rate Study Review Process

