**Research Service Centers UPPS No. 03.04.09**

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**Sr. Reviewer: Associate Vice President for Research and Federal Relations**

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**POLICY STATEMENT**

*Texas State University is committed to* promoting proper financial stewardship of funds.

**01. SCOPE**

01.01 This policy provides a framework for the approval and fiscal operations of Texas State University research service centers (RSCs) that will ensure compliance with federal cost principles, consistency in accounting and costing practices, and flexibility in support of the university instruction and research mission. Although there is a wide variation in size, complexity, and services provided by RSCs, they should all maintain common administrative practices.

01.02 As a recipient of federal funds, Texas State complies with current applicable circulars published by the U.S. Office of Management and Budget ([OMB](https://www.whitehouse.gov/omb)). Generally, the university follows the [OMB](https://www.whitehouse.gov/omb) guidelines for all sponsored projects, regardless of the funding source.

**02. GENERAL PROCEDURES**

02.01 An RSC is an operating unit within the university that provides goods and services primarily to other university units (especially to the university’s sponsored programs) and, secondarily, to fee-for-service customers.

The cost of providing products or services is allocated to users, including federally-sponsored agreements, by applying established recharge rates to the actual usage of services.

The RSC goal is to provide products and services at cost through proper rate setting, budgeting, and billing practices.

02.02 Deans, directors, department chairs, and individual faculty may request the establishment of an RSC (see Section 05. for the RSC proposal and approval process). Staffing of duties shall be at the direction of each unit head and shall adhere to the salary guidelines outlined in the rate calculation.

The benefits of a proposed RSC must be weighed against the benefits of obtaining similar services or products from commercial or other university services. In contemplating the creation of an RSC, the following should be considered:

a. How does the proposed RSC benefit instruction, research, or public service missions of the university?

b. Has a cost vs. benefit analysis been done to justify the establishment of an RSC?

c. Does another unit at Texas State already provide similar services?

d. Will the RSC be competing with an entity in the public sector?

02.03 At the very least, the baseline threshold for consideration with establishing an RSC should be in excess of $10,000 per year in revenue.

**03. PROCEDURES FOR USERS OF RESEARCH SERVICE CENTERS**

03.01 Research users draw from university accounts to pay service fees. These accounts have 10-digit fund numbers, starting with 1-8. These include academic, research, administrative, and auxiliary accounts that purchase RSC products and services in support of Texas State’s mission.

When an RSC account manager is also a principal investigator, their sponsored program accounts can be used to pay user fees as appropriate to the projects for which funds were obtained.

03.02 Fee-for-service customers are users other than research users, as defined in Section 03.01. They include agency accounts (with a 10-digit fund number), students, faculty, staff acting in a personal capacity, and third parties including companies owned by Texas State faculty or staff. Other universities are also considered fee-for-service customers unless Texas State has made them sub-recipients of a grant or contract or a subgrantee or a subcontractor; then they will be considered research users.

**04. PROCEDURES FOR DETERMINING RATE COMPONENTS**

There are two components to the recharge rate: the operating cost rate and the depreciation recovery rate. The recharge rate is charged to all users, both research and fee-for-service, except when depreciation is imputed for academic departments.

Rates for fee-for-service customers will also include the university’s Facilities & Administration (F&A) rate, and possibly a market differential. Fee-for-service customers will be quoted and charged a single consolidated rate for each product or service.

04.01 Operating Cost Rate – Only allowable costs that will be incurred by the RSC may be included in the operating cost rate. All costs must be reasonable, allowable, allocable, and consistently treated.

a. The portion of total salaries and wages related to the time of non-administrative personnel spent directly involved in the center’s activity and that are not already paid through a grant or contract must be included in the rate calculation and charged to the RSC’s operating account. The employee’s official base rate of pay is used in the calculation of the rate. Overtime is not a consideration in rate calculation.

1) If an employee works directly on more than one service line, the costs associated with that employee must be allocated to the service lines based on hours worked for each service line time spent. All direct employee time should be tracked and factored into the rate calculation for each service provided.

2) When charging on an hourly basis, the total maximum hours available for a full-time employee is 2,080 per year.

b. Employees involved in the administration of the center are included only in the operating costs and related rates when their time can be accurately measured and their salaries are not already included in the F&A rate calculation. Salaries for departmental administrative and support staff shall be budgeted and charged to departmental accounts and not the RSC.

c. Faculty salaries are included in user rates if they are budgeted and paid from the RSC operating account and supported through documented effort reporting.

d. Fringe benefits related to all personnel costs directly charged to the RSC should be included in the rate calculation.

e. The cost of materials and supplies necessary for the operation of the RSC may be budgeted and included as allowable costs of the RSC. All materials and supplies charged must be clearly identifiable with the RSC’s activities and be under the control of the RSC’s staff. 

f. If the RSC uses space not owned by the university, lease costs should be included in the rate development. Any costs for janitorial, building maintenance, and other operations and maintenance not covered by the lease costs should also be included.

g. Other expenses to be included in RSC direct operating cost rates include service contracts, equipment operating leases, professional services, and travel expenses related to RSC business.

h. Equipment with a purchase price under $5,000 is not capitalized and may be included in the rate calculation as an operating expense.

i. Capital equipment (defined as an item with a purchase price over $5,000 and a useful life of at least a year) is not purchased from the RSC’s operating account, so the cost is not included in the operating cost rates.

j. Unallowable costs must be excluded from the rate calculations as well as the operating budget and expenditures. These include, but are not limited to:

1) advertising and public relations costs;

2) alcoholic beverages;

3) bad debts or uncollected billings;

4) contingency provisions;

5) cost of capital assets;

6) entertainment costs;

7) equipment replacement provision beyond depreciation recovery;

8) fines and penalties;

9) goods and services for personal use;

10) insurance and indemnification;

11) memberships, subscriptions, and professional activity costs of a social or individual nature;

12) scholarships;

13) selling and marketing costs;

14) start-up expenses; and

15) unrelated business income tax (UBIT).

04.02 Market Differential – The market rate differential is the difference between cost base rate and the market rate. Fee-for-service customer rates should be charged at market rate so as to avoid unfair competition with private enterprise for similar services available in the area.

**05. PROCEDURES FOR INITIAL RESEARCH SERVICE CENTERS PROPOSAL AND APPROVAL PROCESS**

05.01 A [Request to Establish an RSC](http://gato-docs.its.txstate.edu/jcr:5b0bfb09-152e-4258-a440-81a7bde7418d/) form should be submitted to the Office of Research and Sponsored Programs (ORSP) for initial review. The request requires the approval of the department chair or school director (if applicable) and the dean or vice president. It also requires a guarantee account that will be used to offset deficits that might be incurred by the RSC. In addition, it must be accompanied with the [Rate Development Information](http://gato-docs.its.txstate.edu/jcr:99dedd89-f352-4834-8f35-773455cf62f2/) form.

05.02 The ORSP will review the request in light of the criteria established in Section 02.02. If approved, the request will be forwarded to the proposed RSC account manager and the director of Post-Award Support Services for rate development.

05.03 The director of Post-Award Support Services will assist the proposed RSC account manager with developing the rates for each activity (product or service). Recharge rate calculations will be used to develop the budget for the RSC. The director of the Technology Transfer and Contracts (TTC) will review and negotiate with the RSC account manager any changes to the rate and make the final determination of the rate.

05.04 The final recharge rates and budget will be sent to the associate vice president for Research and Federal Relations (AVPR), as well as the proposed RSC account manager, the chair or director, the dean or vice president, and the General Accounting Office.

05.05 The AVPR will review and approve the final budget and recharge rates. The AVPR will also arbitrate whether an RSC will serve external customers and the rate to be charged those customers.

**06. RATE REVIEW PROCEDURES**

06.01 Annual Budget Development – RSC account managers are required to evaluate the RSC’s financial position and rates during the annual budget development cycle (done in April for the subsequent fiscal year starting September 1).

06.02 Year-End Rate Performance Review – Thirty days after the fiscal year ends on August 31, RSC account managers will submit their actual usage and financial results to the directors of Post-Award Support Services and TTC and the AVPR.

06.03 Mid-year adjustments are permissible on an as needed basis to accommodate changing circumstances or to correct for a foreseeable deficit or surplus. Changes in rates must be approved by the AVPR.

**07. BILLING PROCEDURES, REPORTS, AND RECORDS**

07.01 All users must be billed consistently and accurately for services received. User bills may only be prepared after services have been rendered and must have sufficient detail to identify the services provided. Billings must be based on measured and documented use using the rate currently in effect at the time of the service. Billings must be prepared no less frequently than monthly. Refer to the [Financial Reporting & Analysis website](http://www.txstate.edu/gao/reporting/forms.html) for billing procedures and forms.

a. Billings to research users (e.g., grants, departmental accounts, and individual professor accounts) are processed through interdepartmental transfers (IDTs). Sufficient detail must be included to identify the services provided, billing rates, and usage.

b. Billings to fee for service customers are processed on an invoice that identifies the services provided and usage using the rate currently in effect at the time of the service. TTC Support Services is responsible for invoicing and collecting accounts receivables.

07.02 RSCs must record the goods and services requested and provided; the direct operating costs of providing those services; revenues, billings, and collections; and the annual surplus or deficit. Examples of documents that must be maintained are:

a. work papers showing how the rates were calculated;

b. approval of rates;

c. records supporting the level of activity such as usage logs;

d. time keeping;

e. billing records that identify the service provided to each user; and

f. depreciation schedules.

Records should be maintained by the RSC for a maximum of 10 years.

**08. PROCEDURES FOR ACCOUNT STRUCTURE, RESERVES, AND TRANSFERS**

08.01 Each RSC will have a unique cost center/fund center.

08.02 RSCs may have multiple funds in which to record revenues and expenditures, depending on their customer base. The combination of a cost center/fund center and fund makes up a unique account.

a. The RSC operations fund account is used to budget for and record operating expenditures (as defined in Section 04.01 a.), as well as the revenues based on the operating rate charged to all users.

1) The RSC operations fund may accumulate a working capital reserve.

2) Available reserves are considered a surplus balance. Surplus balances will be adjusted either by rate reductions or refunds to all research users, or both. Surplus amounts will not be used to start up new services within the RSC or transferred to subsidize other university operations, including other RSCs.

3) Future deficits incurred by an RSC in future years will be mitigated by rate adjustments. Current year deficits will be funded by another non-federal source and transferred into the center’s account.

**09. RESPONSIBILITIES**

09.01 The RSC account manager:

a. ensures only allowable costs are included in the billing rates and charged to operations accounts;

b. assists with the development of recharge rates in accordance with [OMB](https://www.whitehouse.gov/omb) and university policy;

c. evaluates the RSC’s financial position and rates during the annual budget development cycle (see Section 06.01) and year-end rate performance review (see Section 06.02); and

d. maintains records (see Section 07.02).

09.02 The AVPR:

a. approves RSC proposals for rate development; and

b. reviews and publishes rate changes approved by the director of TTC.

09.03 Post-Award Support Services:

a. assists RSC account managers in developing recharge rates;

b. reviews recharge rates, RSC, and the creation of income-generating accounts;

c. reviews new or changed billing rates and units sold;

d. with TTC, conducts periodic reviews of the financial operations of existing service centers; and

e. ensures that RSC rates are properly built into sponsored agreement budgets and charged to the sponsored agreements.

09.04  The TTC:

1. reviews and negotiates with the RSC account manager, any changes to the rate;

b. makes final determination of the rate;

c. with Post Award Support Services, conducts periodic reviews of the financial operations of existing RSCs; and

d. invoices, monitors the receivables, and deposits the funds into the appropriate RSC account.

**10. REVIEWERS OF THIS UPPS**

10.01 Reviewers of this UPPS include the following:

 Position Date

Associate Vice President for Research September 1 E3Y

and Federal Relations

Associate Vice President for Financial Services September 1 E3Y

**11. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Research and Federal Relations; senior reviewer of this UPPS

Provost and Vice President for Academic Affairs

President