SECTION 23 - EQUIPMENT FEE STRUCTURE POLICY

Policy Sequence 23-000
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INTRODUCTION

Fees charged on agency accounts have been structured to relate services provided to cost involved. The resultant fee is based on a percentage of an expenditure. For example fees charged for salary and benefit costs are 11% (commensurate with work related to processing payroll) whereas fees charged for other expenditures are generally 6% (reflecting lesser degree of processing requirements).

Services needed to purchase expensive equipment may not be compatible with related costs charged. For example, purchasing a $1 million spectrometer creates the need to process tasks related to that purchase order. The present fee structure charges 6% ($60,000) fee for services rendered. Such a fee structure may not be equitable when dealing with large dollar purchases requiring fewer than 50 service tasks. In response to such arguments the Foundation has informally implemented limited fee (transaction) accounts for equipment purchased with 06 agency funds. (Such procedure does not apply to 07 research funds.) The fees charged in 06 accounts are tailored to the functions needed to affect the purchase, generally 1% to 2% of the expenditure. Such procedure motivates departments to solicit funds for educational equipment purchased with agency funds.

A similar reduction of fees for equipment purchased with 07 research funds was considered during development of the Foundation indirect cost return policy, with the resulting decision that a minimum 7% return was needed for the following reasons: 1) Foundation revenue is 100% dependent upon indirect cost returns and fees for service. The State of California general fund provides no funding for the Foundation. 2) Any decrease in projected foundation revenue must be matched with a corresponding decrease in expenditures. The Foundation revenue budget is an estimated projection which assumes that unknown contracts and grants, including equipment purchases, will be procured by the Foundation. If for some reason these returns do not materialize or are substantially reduced, the Foundation would be required to curtail operations. Thus fee reductions, concessions or exemptions must be evaluated in terms of the broad impact on the Foundation and its ability to serve the campus community.

Nevertheless, the practice of full charging for equipment purchases has not been accepted favorably by the campus; further, it is a disincentive to solicitation and acceptance of such funds. Loss of equipment funds serves neither the University nor the Foundation’s best interests. Recommendations to ameliorate the differences and introduce a mutually beneficial resolution to the problems follows.

Problem

How to finance the administration costs of purchasing equipment with gift and sponsored program funding?

Considerations

< Sponsors generally do not provide indirect cost returns for equipment purchases.

Considerations (cont)

< The Administrative fee structure for equipment purchased in agency and sponsored program accounts should be similar to prevent manipulation of accounts.

< The Administrative fee structure should not be a deterrent to seeking equipment funding but rather be an incentive.
Some colleges do not have discretionary funds to pay Administrative fees.

Gifts or grants supporting equipment purchases benefit the entire campus community.

Adequate control is necessary to ensure equitable use and distribution of funds.

Administrative fees for equipment purchased as a part of 07 research contracts are excluded from this policy.

**POLICY FOR CONTRACT AND GRANT ACCOUNTS**

**Policy # 23-000.1**

A) Develop a separate pool of monies to finance administrative fees for "equipment only" grants and contracts. The pool is not to be used to finance administrative fees for equipment in contracts or grants with "other expenditures". In those cases the indirect cost policy rules apply. The definition of contract can be construed to include monies gifted to the Foundation and restricted for specific equipment purchase only.

B) Recommended size of the pool is $10,000. Authorized administration fees for equipment purchases will be charged to the pool. Pool expenditures will be financed in equal 1/3 shares from the University Academic Affairs, Foundation, and participating Colleges. No fees will be charged to a College unless the pool is used. Fee reimbursements will be made monthly, in arrears, based on % of fees charged. See example below.

<table>
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<th>Date</th>
<th>College</th>
<th>Cost Equip.</th>
<th>Fee Rate</th>
<th>Fees Pool</th>
<th>1/3 College</th>
<th>1/3 Univ</th>
<th>1/3 CSULBF</th>
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</tbody>
</table>

1 Cost Equip. x Fee Rate = Fees Pool
2 Fee Distribution = Fees Pool x 1/3 = 1/3 x $100 = 33

**POLICY FOR CONTRACT AND GRANT ACCOUNTS** (cont)  

The initial $10,000 pool will be funded from Foundation resources and will remain an asset of the Foundation. Any interest earned on the pool balance will accrue to the Foundation. Pool funding will commence immediately upon approval of this policy.

C) Administration and control of the pool (an account established in the Foundation) shall be the responsibility of the Foundation. Pool administration will encompass the same procedures applicable to managing a petty cash fund. Authorization for charges to the account and related fee negotiations will be the responsibility of the Vice President of Academic Affairs and shall be in compliance with the equipment fee policy. Special fee
arrangements and resolution of appeals shall be approved by the Vice President of Academic Affairs and the Foundation Executive Director. The Foundation will provide appropriate forms to effect the above procedures.

D) Administrative fees will be set at 1% to 2%, dependent upon transactions required for service; one (1) or two (2) for a 1% fee and three (3) or four (4) for a 2% fee. If the purchase requires transactions in excess of four (4), the special rates are not applicable. Special fee arrangements may be made to accommodate lease purchase transactions. The Foundation will charge fees via journal entries to appropriate accounts each month. Approval of the equipment fee policy concurrently approves preparation of the fee journals.

E) Minimum and maximum fees for service will be established to ensure cost coverage and equitable charges. The minimum fee shall be $100 and the maximum fee $5,000. Costs associated with the fee include account set-up, purchase order preparation and processing, account encumbering, check preparation and distribution, report generation, general ledger account and audit reporting, equipment inventorying and a share of the overhead incurred by the Foundation as a normal part of doing business.

F) Equipment qualifying for the use of pool funds must be valued at a minimum of $5,000. Qualifying equipment may be construed to mean more than one capital item provided that not more than two purchase orders are processed for the procurement.

G) Provide an appeals process for pool funding of Administrative fees for equipment in Contracts and Grants with "other expenditures" when indirect cost returns to departments go negative. If the appeal is granted, fee funding may be shared equally by University Academic Affairs and the Foundation, or a loan may be granted to the College.

H) Provide an appeals process to fund equipment fees from the pool when no funds are available in the college. If the appeal is granted, fee funding may be shared equally by University Academic Affairs and the Foundation, or a loan may be granted to the College.

POLICY FOR CAMPUS PROGRAMS ACCOUNTS

An Equipment Transaction Project is an account used to facilitate purchasing equipment on Foundation Programs. This account is used to receive funds that will be used to make major equipment purchases. Equipment Transaction Projects must be pre-approved by the Foundation's Executive Director or designee. After the Special Project Agreement is completely filled out, it must be sent to the Foundation for pre-approval. After the agreement is pre-approved, it can be routed for approval by University Administration and Foundation Management.

Although Equipment Transaction Projects are not restricted project types, generally only one to two expenditures can be made per month on this project. Once the project is approved, the expenditure limitations set up in the agreement are strictly enforced by the Internal Manager.

The Foundation charges fees for Equipment Transaction Projects on expenditures. The Foundation generally charges a 1% or 2% fee. These fees are automatically charged to the account at the time an expenditure is made.

If the activity on the Equipment Transaction Project is more than one or two transactions per month, the project will be reviewed by the Executive Director. It may be determined that this account is no longer following Transaction Account guidelines and, therefore, should be transferred to a Campus Program/Agency Project with a change to the administrative fee rate.
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