



University of California
San Francisco

Recharge Subsidy Application Overview

Budget and Resource Management

11/1/2016

Recharge activities may be subsidized from other funding sources and may be applied in the following ways:

Non-Federal Subsidies

Billing Subsidy

General Subsidy

Subsidy for Specifically Identified
Expenses

Federal Subsidies

Billing Subsidy (No Program Income)

Recharge with Federal Subsidy
(Subvention) (Program Income)

Application of **Non-Federal** Subsidies to Recharge Rates

Non-Federal Subsidies	Guidelines	Examples
1. Billing subsidy	To reduce the rate charged to the users for recharge products or services by charging a portion of the billing rate directly to a subsidy project.	The fully costed rate of a recharge service is \$100 per unit. Eligible users receive a 20 % billing subsidy from a subsidy project. The subsidy project pays \$20 by charging the subsidized portion of the rate directly to the subsidy chartstring and the users get charged \$80.
2. General subsidy	To offset overall expenses in the recharge operating project.	The department transfers year-end deficit balance from the recharge project to a departmental discretionary project or transfers subsidy to recharge operating project during fiscal year to offset expenses and lower the rate.
3. Subsidy for specifically identified expenses	<p>To pay for specifically identified expenses of the Recharge Activity by charging the subsidized expenses directly to a subsidy project.</p> <p>Since all costs and revenues should be recorded in the recharge project, this option has been removed from the guidelines. However, in certain cases might still be allowed if exceptional approval has been received from Budget and Resource Management.</p>	The subsidy fund source specifically requires that certain costs are directly charged to the subsidy project (i.e. faculty and staff effort, supplies, etc.)

Application of **Federal** Subsidies to Recharge Rates

Federal Subsidies	Guidelines	Examples
1. Billing subsidy	<p>To reduce the rate charged to the users for recharge products or services by charging a portion of the billing rate directly to a federal award.</p> <p>The billing subsidy process results in <u>no program income</u> reporting requirement to a federal award, only direct costs.</p>	<p>The fully costed rate of a recharge service is \$100 per unit. Eligible users are receiving 20 % billing subsidy from a federal project. The federal project pays \$20 by charging the subsidized portion of the rate directly to the federal award and the users get charged \$80.</p>
2. Recharge with federal subsidy (subvention)	<p>To apply a federal subsidy to offset recharge expenses (subvention) and lower the rate charged to all users. In this case, the recharge is classified as a <u>program income</u> activity and must report program income and account for as specified by the Controller's Office.</p> <p>Budget and Resource Management's role is to review and approve the rate calculation methodology and rate schedule.</p>	<p>The federal award subsidizes the recharge service cost to reduce the rate charged to all eligible users. Costs and revenues related to the recharge activity are recorded in a subproject under the award's primary project. Costs subsidized by the federal subvention are recorded in the award's primary project or in a secondary project.</p>

Billing Subsidy Application

When a subsidy is applied to *billing rate for all internal users*, the subsidized portion of the rate is charged directly to the (federal or non-federal) subsidy fund, and the remaining portion of the rate is charged directly to the user.

Approved Rate Schedule

Recharge Control # 7MABC1

Service	Rate to User	Rate to Subsidy	Fully Costed Rate
Service A	\$ 5	\$ 1	\$ 6
Service B	\$ 50	\$ 25	\$ 75
Service C	\$ 25	\$ 20	\$ 45

Monthly Usage

User	Service	Rate to User	Rate to Subsidy	Volume	Amount to User	Amount to Subsidy	Total Billed
User A	Service B	\$ 50	\$ 25	1	\$ 50	\$ 25	\$ 75
User A	Service C	\$ 25	\$ 20	10	\$ 250	\$ 200	\$ 450
Total User A					\$ 300	\$ 225	\$ 525
User B	Service A	\$ 5	\$ 1	10	\$ 50	\$ 10	\$ 60
User B	Service B	\$ 50	\$ 25	2	\$ 100	\$ 50	\$ 150
User B	Service C	\$ 25	\$ 20	1	\$ 25	\$ 20	\$ 45
Total User B					\$ 175	\$ 80	\$ 255
User C	Service A	\$ 5	\$ 1	5	\$ 25	\$ 5	\$ 30
User C	Service C	\$ 25	\$ 20	2	\$ 50	\$ 40	\$ 90
Total User C					\$ 75	\$ 45	\$ 120
Total					\$ 550	\$ 350	\$ 900

Billing Subsidy Application

When preparing a recharge journal with a billing subsidy, only one additional journal line is needed to recharge the billing subsidy fund source.

Recharge Journal

Journal Header	
Long Description:	July 2016 Recharge Journal for ABC Recharge
Source Code	555
Reference:	7MABC1

Journal Lines						
Acct	Fund	Dept ID	Project	Func	Amount	Journal Line Description
5XXXX	4000	112345	456789A	44	\$ 300	July 2016 ABC Recharges
5XXXX	4100	123456	567890A	44	\$ 175	July 2016 ABC Recharges
5XXXX	4300	134567	234567A	44	\$ 75	July 2016 ABC Recharges
5XXXX	7100	145678	7123456	44	\$ 350	July 2016 ABC Recharges
74200	5018	156789	8001234	43	\$ (900)	July 2016 ABC Recharges
Total Debits: \$		900	Total Credits: \$		(900)	Balance: \$-

Recharge to USER A
Recharge to USER B
Recharge to USER C
Recharge to Subsidy
Recharge Revenue

General Subsidy Application

When a subsidy is applied to **offset overall expenses**, all or a portion of the recharge deficit may be transferred to a departmental discretionary fund source using the appropriate transfer account per the COA Moving Money Quick Reference Guide. Account **78010** should be used when writing off all or a part of the year-end deficit, and account **78050** should be used to offset expenses in the recharge project to reduce the rates charged to users. Generally, deficits related to external users shall not be transferred to subsidy fund.

Financial Journal

Journal Header	
Long Description:	Apply a subsidy from department discretionary fund to offset year-end deficit
Source Code	535

Journal Lines						
Acct	Fund	Dept ID	Project	Func	Amount	Journal Line Description
78010	7100	145678	1111111	43	\$ 25,000	July 2016 ABC Recharges
78010	5018	156789	8001234	43	\$ (25,000)	July 2016 ABC Recharges
Total Debits: \$ 25,000			Total Credits: \$ (25,000)			Balance: \$ -

Subsidy Application Q&A

- Is there a preference to using the billing subsidy application vs. the general subsidy application?

The billing subsidy application is preferred in order to maintain fund integrity, and for federal subsidies, avoid program income reporting requirements to a federal award.

- If the general subsidy is applied, how often can transfers occur?

Subsidy transfers can occur at any time during the fiscal year, and as often as necessary.

- Can a subsidy be applied to external users?

A subsidy may only be applied to external users if the subsidy fund source allows funding to benefit external users. When subsidies are applied to both internal and external users, the subsidy should offset expenses for rate calculation for all users.

- Can a subsidy be applied to a specific group of users?

A subsidy can be applied as an offset to rates charged to a specific class of users (e.g.: a certain class of internal customer, such as students, are subsidized from an instructional funding source).