



UNIVERSITY *of* CALIFORNIA  
**Agriculture & Natural Resources**

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Research & Extension Centers - Administrative Office

Date: October 18, 2004  
To: All Project Leaders  
Research and Extension Centers  
From: Fred Perry, REC Director  
Subject: New Recharge Procedures

New ANR policy and procedures have been developed for reviewing and approving recharge activities and recharge rates development. These new procedures require major changes in the way we assess recharge at the Centers. The following is a brief description of the new policy and procedures, and a description of the new procedures that are being proposed to bring us into compliance with policy.

We would like your comments on the proposed new recharge procedures by November 1st. Please present your comments or questions online at the following address <http://ucce.ucdavis.edu/survey/survey.cfm?surveynumber=656> or call me direct at (530) 752-3930. Your comments and suggestions will be used in the preparation of the final proposal that will be submitted to the ANR Recharge Rate Review Committee.

We are trying to minimize the impact of these new procedures and the budget reductions on all Project Leaders while trying to incorporate as much uniformity and equity into the process as possible given the incredible diversity we have across our system. The new procedures are proposed to go into effect at the beginning of each Center's next program cycle.

**Principals of UC and ANR Policies on Recharge**

- Recharge rate development must be based on an approved standard pricing method, uniformly applied.
- Allowable costs for rate development include such things as salaries and benefits, supplies, and equipment depreciation and maintenance.
- Unallowable costs include such things as administrative overhead, equipment purchase, and capital improvements.
- All rate development and recharge assessment procedures must comply with UC and ANR policy and procedures. All recharge activities generating income greater than \$15,000 must be reviewed by the ANR Rate Review Committee.
- Rates for external users must include an overhead cost sufficient to recover all indirect costs.
- Recharge activities are expected to operate on a breakeven basis. Rates must be adjusted annually to eliminate deficits or excessive surpluses.

## **Budget Facts**

- Research and Extensions Centers' research operations budget was reduced by \$877,129 (19% over the past two years).
- Given the size of this reduction, we expect total recharge to increase. However, the individual impact to a project or a Project Leader will be highly variable from Center to Center due to Center specific budget decisions and the level of research and extension activity.
- The funds available from extramural sources are limited. Budget reductions throughout UC have placed more demands on these funds; consequently, availability of these funds for recharge will probably have an impact on the total research activity at a Center.
- Overall, we do not expect a large increase in recharge income due to the limited availability of extramural funds.
- Facilities and infrastructure operations and maintenance (OMP) is funded with a separate allocation from the State. OMP funding was reduced by \$400,000 (14% over the next two years). This reduction will have a long-term impact on deferred maintenance and a short term impact on our ability to keep pace with utility cost inflation.

## **Proposed New Recharge Procedures**

- Each project will be assessed a \$100 flat rate recharge in addition to any labor recharge. This flat rate recharge is meant to improve the equity for those projects getting the full benefit of the Center resources but using minimal or no Center labor.
- The Center will estimate the total cost of furnishing labor and other direct costs required to service all approved projects that is in addition to Center's base budget funding.  
***(Total Cost) - (Funding) = Unfunded Costs***
- The Center will estimate the total allocatable labor hours that are required to service all approved projects (allocatable hours are those hours that can be clearly identified as used on a specific project).
- A recharge rate for allocatable labor hours is calculated by dividing the total unfunded costs by the total allocatable labor hours ***Unfunded Costs / Total Allocatable Hours = Rate*** (rate is expected to range from \$3 to \$6 per hour). This recharge rate will be reviewed in accordance with ANR policy.
- In order to keep the rate at an acceptable level (in the \$3 to \$6 per hour range) it may be necessary to place a ceiling (or cap) on the total amount of allocatable hours at this rate. The Center's Research Advisory Committee (RAC) will have direct input into establishing this ceiling.
- Each Center's RAC will allocate labor hours to approved projects. Project Leaders will be notified of estimated total recharge costs to each project.
- At the end of the program year, the Center will determine the actual labor hours used by the project. All hours used by a project, up to the amount allocated by the RAC, will be recharged at the approved recharge rate. Hours used in addition to the RAC allocated hours will be recharged at the full direct cost of additional labor (in the \$10 to \$15 per hour range).
- Center management and Center RACs may develop additional procedures for assessing recharge and assigning certain direct costs to projects. These Center-specific procedures must also be documented, reviewed and approved.