



Policy Title: Cost Recovery (formerly known as “Chargeback”)

Division: Administration & Finance
Department: Office of the Vice President & CFO, Administration & Finance
Contact Information: Cost Recovery Governance Committee (Chaired by Bob Andrews, AVP for Facilities Services)
Effective Date: Fiscal Year 2023/2024
Revised Date: August 1, 2023

1. Authority

The Vice President and Chief Financial Officer (CFO) of Administration & Finance will create and convene a “Cost Recovery Governance Committee”. This committee is a cross-divisional committee that focuses on cost recovery practices and procedures and intra-divisional delivery of goods and services that advance SFSU’s academic mission.

[Facilities Maintenance;](#)

[Delegation of Fiscal Authority and Responsibility ;](#)

[Construction Management for Public Works Contacts \(9700 Public Works Contracts\)](#)

[Cost Allocation / Reimbursement Plans for the CSU Operating Fund](#)

2. Objective

This policy outlines the “cost recovery” (formerly known as “chargebacks”) process at San Francisco State university (SF State) including: what cost recovery is; what mandatory mechanisms are featured in cost recovery processes between units on campus; and how rates are determined. Units must have fully fleshed cost recovery procedures and processes made publicly available. Campuswide processes and procedures will conform to this policy.

3. Statement

Cost Recovery is the process of recouping the full costs (both direct and indirect) associated with providing goods, resources and/or services to another campus entity. Campus entities seeking cost recovery for goods, resources, and/or services, which go beyond base budget supported operations must consistently apply their costs, rates, and fees to all units. All campus entities seeking cost recovery must conform to this policy by establishing and publishing a unit specific cost recovery process consistent with the minimum requirements outlined in this policy.

4. Purpose & Scope

The purpose of this Cost Recovery Policy is to: evaluate current cost recovery activities; identify process improvement opportunities; increase efficiency; and reduce the number of administrative tasks involved in the cost recovery process.

This policy will:

1. Define the basic services provided by general fund and auxiliary enterprise (self-support) units to determine which direct costs should be funded by the base budget versus which should be funded through cost recovery;
2. Inform how cost recovery is calculated, estimated, charged and recorded;
3. Provide more transparency, collaboration and cross-campus engagement around cost recovery; and
4. Provide a common language and implementation of the delineation, alignment, and understanding of goods and services subject to cost recovery, as opposed to those not subject to cost recovery.

The following minimum requirements are to be met by all campus entities who provide goods, resources, and/or services requiring cost recovery. Each entity offering these goods, resources, and/or services must:

1. Outline the procedures for requesting estimates, timelines, and approving the work performed for goods and services.
2. Provide a catalog of all unit specific goods and services which may require cost recovery, including all rates, fees and methodologies associated. The catalog must detail the goods and services provided by the university free of charge to individual units and the threshold that must be met before a cost recovery can be initiated. The catalog must provide an approximate method for estimating rates and fees. The unit may continue refining the basis upon which they allocate costs using base allocations such as square footage, headcount, cost of assets employed, etc.
3. Outline the process by which the cost recovery will occur including updating the estimate with the actual cost, timeline for recovering the funds, and process of disputing the charge. Cost recovery for work completed in a given fiscal year must be executed within one month from the end of that fiscal year.
4. Provide the campus's Cost Recovery Governance Committee with a copy of the unit's cost recovery plan for review before the plan is publicized on the unit's website and implemented. The Cost Recovery Governance Committee is tasked with reviewing individual cost recovery service agreements to ensure all aspects of the cost recovery policy is addressed in a consistent method. (Individual Service Plans will be provided (6) months after this policy is authorized)
5. When a dispute occurs, the Cost Recovery Governance Committee shall provide a review for dispute resolution after the parties have made good faith efforts to resolve any disputes concerning the interpretation or performance of this policy. When the parties cannot resolve the dispute, either party may submit a dispute resolution requests to the Cost Recovery Governance Committee for resolution, which shall occur within 60 business days of submission. The cost recovery governance committee will develop the dispute process.

The following steps are to be utilized by all campus entities who provide goods and/or services requiring cost recovery. Each entity offering goods and/or services will outline their procedures for requesting estimates, timelines and approving the work performed for goods and/or services including, but not limited to, the following:

1. Goods and/or services available;
2. Executive Orders and/or other governing documents supporting goods and/or services;
3. Process to request goods and/or services by other units (both general funded or auxiliary funded);
4. Their fee structure (what fees/rates are applied, and how/why);
5. What goods and/or services are covered within unit's baseline budget for cost recovery;
6. Approval process for requested goods and/or services from the provider of said goods and/or services;
7. Timeframes for work completion and cost recovery; and
8. Discrepancy process for disputing charges.

Cost recovery service providers will also provide annual reporting to the oversight committee, and the Cost Recovery Oversight Committee will provide an annual report to the university Budget Committee (UBC). All reports will be made available on the website (with a hyperlink available below once policy is live).

In order for a campus entity to initiate the cost recovery process for goods and/or services, the above information must be publicly available for units to make informed decisions.

5. Cost Recovery Oversight Committee

Once the policy is approved, the "Cost Recovery Governance Committee" will become the "Cost Recovery Oversight Committee" charged with serving as a broad continual governing presence to support the university's ongoing cost recovery efforts.

6. Implementation Process

Upon approval of this policy, campus entities will have six (6) months to provide their draft cost recovery processes consistent with the criteria steps in Section III. Policy Statement. Links to these cost recovery processes will be added to this policy's Appendix Section A via hyperlink which will be produced after this policy goes live (within 6 months of approval).

- Onboarding New Groups
- Updating Existing Policies

APPENDIX

A. Current Policies

Current cost recovery processes by service providing departments will be viewable through following hyperlink(s) which will be produced and listed below after this policy goes live (within 6 months of approval):

B. Current Campus Cost Recovery Units

The list of current campus cost recover units includes, but is not limited to, the following:

- College of Professional and Global Education (CPaGE)
- Housing, Dining, Conference Services
- Disability Programs & Resource Center (DPRC)
- Division of Campus Safety/university Police Department (UPD)
- Capital Planning, Design & Construction (CPDC)
- Facilities Services

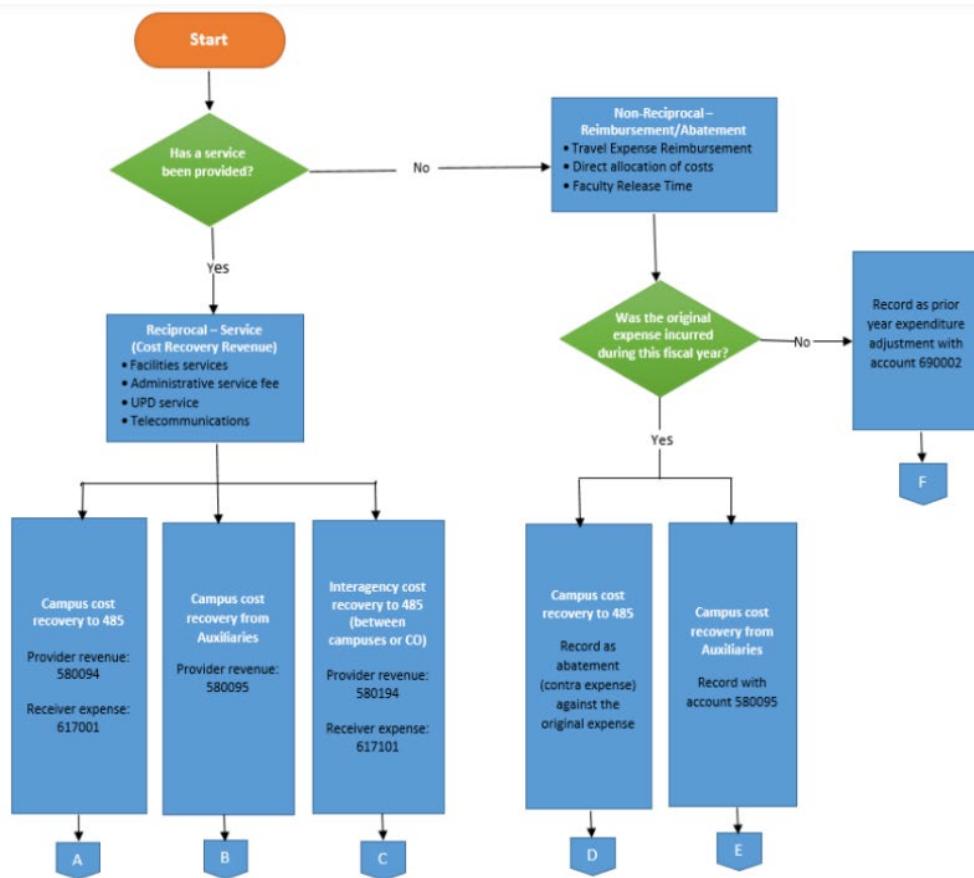
- Information Technology Services (ITS)
- Academic Technology

C. Exclusions

There are fiscal activities at SF State that are not formerly part of the cost recovery process, but are often referred to, or described using the nomenclature associated with “cost recovery” or “recharge” processes. These activities are not governed by the policy above. These activities include, but are not limited to, the following:

- Direct reimbursements
- Leases and rental agreements

D. Cost Recovery vs. Reimbursement Chart



Text Version of the “Cost Recovery vs. Reimbursement Chart” flow chart image above:

Top of Chart Begins with the Question: “Has a service been provided?”

1. If “No”, then “Non-Reciprocal – Reimbursement/Abatement”
 - Travel Expense Reimbursement
 - Direct Allocation of Cost
 - Faculty Release Time
 - Then, Question : “Was the original expense incurred during this fiscal year?”

- a. If “Yes” to script, then show 2 options
 - i. Campus cost recovery to 485 then “D”
 - ii. Campus cost recovery from Auxiliaries then “E”
 - b. If “No” to script, then show 1 option
 - i. “Record as prior year expenditure adjustment with account 690002 then “F”
2. If “yes” then “Reciprocal – Service (Cost Recovery Revenue)”
- Facilities services
 - Administrative service Fee
 - UPD Service
 - Telecommunications
 - Then, show 3 options
 - a. Campus cost recovery to 485 then “A”
 - b. Campus cost recovery from Auxiliaries then “B”
 - c. Intergency cost recovery to 485 then “C”

3. Definitions

1. An **Actual Cost** is the final cost for goods and/or services. The actual cost is used for cost recovery.
2. **Auxiliary Enterprise** (also known as a self-support unit) refers to a university-related entity (program, activity or fund source) that furnishes resources, goods and/or services to students, faculty, staff or, incidentally, to the general public. An auxiliary enterprise typically charges a fee related to, although not necessarily equal to, the cost of the facilities, goods and/or services being provided by the auxiliary. A distinguishing characteristic of an auxiliary enterprise is that it is managed as, essentially, a self-support activity. Auxiliary enterprises include, but are not limited to, the following: university Housing, Parking & Transportation, Cesar Chavez Student Center (CCSC), Campus Recreation (and the Mashouf Wellness Center), Athletics, College of Professional & Global Education (CPaGE) and Student Health Services.
3. **Auxiliary Organization** (also known as a self-support unit) refers to any separately organized non-state entity that operates in compliance with auxiliary organization policies of the CSU Board of Trustees, the terms of leases and operating agreements with the CSU, and policies established by the university. Examples of auxiliary organizations include foundations for the administration of gifts to the university, student body organizations (Associated Students) and the university Corporation (U-Corp), operated for the benefit of the university ([Education Code sections 89900-89912](#)). Auxiliary organization also refers to an alumni association organized and operated in accordance with rules and policies adopted by the CSU Board of Trustees. ([Title 5, Article 15](#)).
4. A **Baseline** can be any number that serves as a reasonable and defined starting point for comparison purposes. It may be used to evaluate the effects of a change, identify a step up/down in the level of service provided, track the progress of an improvement project, or measure the difference between two periods.
5. **Cost Allocation** is the process of identifying, aggregating and assigning costs to cost objects. Cost allocation spreads costs among departments or inventory items for financial reporting purposes. The term "allocation" implies that no overly precise method is available for charging a cost to a cost object. Hence, the allocating entity uses an approximate method for doing so. Thus, you may continue refining the basis upon which you allocate costs, using such allocation bases as square footage, headcount, and cost of assets employed.

6. **Cost Estimate** is a projected cost for goods and/or services used for planning purposes.
7. A **Cost Object** is any activity or item for which you want to measure costs separately. Samples of cost objects are a product, research project, customer and/or department.
8. **Cost Recovery** (formerly known as “chargeback”) is the CSU policy to recover direct and indirect costs incurred in providing goods, services and/or facilities to other funds within the university or between the CSU, auxiliary organizations, and external parties (per the integrated CSU policy, Cost Allocation/Reimbursement; [Cost Allocation / Reimbursement Plans for the CSU Operating Fund - ICSUAM 03552.01](#)).
9. A **Cost Recovery Timeline** refers to the dates by which cost recovery must be executed.
10. **Costs** are expenditures incurred by one unit to provide resources, goods, and/or services to another unit. Costs could be recorded as personnel services (salaries and benefits), operating expenses and equipment, or capital outlay.
11. **Direct Costs** are costs readily assigned to a particular cost objective (i.e., identified and charge, or billed) to a specific auxiliary enterprise with high accuracy and without excessive accounting. Some services provided to an auxiliary enterprise that are of a direct nature are recharged using a campus-approved recharge rate. Examples of services include telephone, postage, electronic mail, reprographics, non-maintenance services, Reimbursed Release Time (RRT), etc. Approved recharges are considered direct costs for purposes of these guidelines.
12. **Direct Recovery** is the recovery of the direct costs that must be based on the actual costs incurred.
13. A **Direct Reimbursement** is when a service provider acts as a conduit or pass-through and abates the reimbursement against the original expense.
14. **Dispute Process** is the manner by which cost recovery charges can be challenged. There are three basic types of dispute resolutions: mediation, arbitration, and litigation.
15. An **Estimate** is an approximate statement of the cost of goods and/or services associated with a work request to be completed by a cost recovery generating department. Estimates are created upon request in advance of the start of work, and may include a list of tasks and supplies required to accomplish a defined request. Estimates are intended for budgeting purposes only. Actuals may vary based on a variety of factors.
16. **Executive Orders** are official documents from the CSU Chancellor's Office, requiring each campus president to implement and manage the directives, policies and procedures set forth by the government and the Board of Trustees.
17. **General Fund Entity** is the university entity supported by the state's appropriations within the scope of supporting the university's educational mission.
18. **Goods and Services** Goods are generated from a service provided by a given unit. Services are labor hours by a given unit that may or may not result in goods. Services are the labor hours plus the cost of materials.
19. **Indirect Costs** refer to costs that cannot be readily assigned to a particular cost objective without effort disproportionate to the benefits received. Indirect costs are those incurred for purposes common to all or a number of campus programs or activities, but which cannot be identified and charged directly to such programs or activities (e.g., auxiliary enterprises) with a reasonable degree of accuracy and without an excessive amount of accounting. Indirect costs may be referred to in

other terms, such as overhead or administrative expenses.

20. **Indirect Recovery** is the indirect cost recovery that must be based on an allocation that utilizes a documented methodology for identifying indirect costs and a basis for the allocation.
21. **Overhead** refers to business costs that are related to the day-to-day running of the business. Unlike operating expenses, overhead costs cannot be traced to a specific cost unit or business activity.
22. A **Policy** sets out the university's position on a specific issue and usually requires that particular action be taken. A policy may be shaped by, and derived from, legislation, regulation, a Board of Trustees resolution, or executive direction. Policy compliance is mandatory, and every document published in the [CSU Policy Library](#) must include a policy statement.
23. A **Procedure** describes the actions necessary to implement or comply with a policy. Not all policies are accompanied by procedures. Procedures typically include a series of steps that ensure consistent results and compliance with a policy. Compliance with procedures is mandatory, and every procedural document published in the CSU Policy Library must identify the policy to which it relates.
24. **Resources** refers to shared basic requirements needed to perform work which is difficult to calculate by unit or person/individual such as facilities, electricity, network connectivity, water, etc.
25. **State General Fund** (or state support) refers to the state legislature's Budget Act appropriation items for support of The CSU that are recorded in the general fund.
26. **Timeframe** refers to the estimated date that work will begin and the estimated amount of time needed to complete a project for planning purposes.

4. Searchable Words

1. Auxiliary
2. Budget (or Budgeting)
3. Chargeback (old language)
4. Cost Recovery
5. Cost Recovery Procedure
6. Self-Support
7. Transparency