

Transparency Topic:

Chargebacks
(Part 1)

Jeff Wilson
Vice President & CFO
Administration & Finance

Chargebacks

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Chargebacks

1. Context

- This topic originated from one of the UBC's office hours events from 2020-2021.
- Today's presentation is informational.
- Chargebacks are one form of cost recovery.
- Applicable CSU Policy: *Cost Allocation / Reimbursement Plans for the CSU Operating Fund* (Policy ID 8543151)
- Primary focus is intra-general fund chargebacks with some notes about self-support units.

Chargebacks

Introduction

- A **chargeback** occurs when one University unit provides a good or service to another University unit and seeks to recover the **cost** of the good or service
- Why are chargebacks necessary?
 - General fund units must recover costs from non-general fund units
 - To conserve scarce resources
 - To promote optimal use of departmental resources
- Chargebacks are not intended to create “profit”

Chargebacks

Introduction

Non-general fund units: Self-support auxiliaries (Housing, Parking, Student Health Center, Mashouf Wellness Center); separate 501c3 auxiliaries (Associate Students, Foundation, University Corporation); Trust funds; Grants and Contracts

“It is the policy of the California State University (University) that campus Presidents ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to CSU enterprise programs/activities/funds, auxiliary organizations and entities external to the university are properly and consistently recovered...”

CSU Policy: Cost Allocation/Reimbursement Plans for the CSU Operation Fund

Chargebacks

Introduction

Intra-general fund chargebacks are when general fund unit recovers costs from another general fund unit.

Scenario 1

One general fund unit requests goods and/or services above the basic, general services another unit is funded (i.e. budgeted) to provide.

Scenario 2

The campus decides that specific programs, services, or goods should not be funded centrally but funded via a chargeback model to align unit costs with unit consumption.

Chargebacks

Introduction

Intra-general fund chargebacks (continued)

Scenario 3

A unit offers “premium” services and/or goods to the campus on a chargeback model.

Scenario 4

A unit purchases services and/or goods on behalf of other units and seeks recovery for the costs (technically this is not a chargeback but a cost reassignment; often referred to as chargebacks)

Chargebacks

Introduction – Intra-general fund chargebacks

Scenario 1

One general fund unit requests goods and/or services above the basic, general services another unit is funded (i.e. budgeted) to provide.

Basic, general goods and services	Chargeback goods and services
Baseline goods and services necessary for normal operations and functions, health and safety, and standard maintenance and cleanliness.	Goods and services above baseline goods services.

Chargebacks

Introduction – Intra-general fund chargebacks

Scenario 1 (continued) - examples

Basic, general goods and services		Chargeback goods and services
Offices are painted every five years, as needed		Department requests office be painted in year two of five year cycle
Campus Safety provides safety and security service for campus		Department hosts special event that requires dedicated Campus Safety presence
Door lock with key is operating and functioning as designed		Department request touchpad, keyless door lock

Chargebacks

Introduction – Intra-general fund chargebacks

Scenario 2

The campus decides that specific programs, services, or goods should not be funded centrally but funded via a chargeback model to align unit costs with unit consumption.

Unit-level consumption is measurable, identifiable, and verifiable

- In-office printing and copying
- Risk management (special event insurance)
- Background checks for new employees

Unit-level consumption is not reasonably practical to measure, identify, and verify

- Utilities
- Risk management (insurance premiums)
- DocuSign

Chargebacks

Introduction – Intra-general fund chargebacks

Scenario 3

A unit offers “premium” services and/or goods to the campus on a chargeback model.

Unit	Example of service and/or goods
Engineering	Offers use and after hours support of equipment for non-instructional purpose
Facilities	Removes existing wall art, patches holes, and hangs new wall art
Theater	Provides after hours production and technical support for non-instructional related production

Chargebacks

Introduction – Intra-general fund chargebacks

Scenario 4

A unit purchases services and/or goods on behalf of other units and seeks recovery for the costs (technically this is not a chargeback but a cost reassignment; often referred to as chargebacks)

Example

- 1 Accounting Office and Budget Office share office supplies.
- 2 Accounting Office orders office supplies for both offices.
- 3 Accounting Office assigns a portion of office supplies costs to Budget Office.

Chargebacks

SF State chargebacks

Primary units “charging back” to other units: Facilities, Mail Services, Reprographics, Telecommunications

Primary examples of chargebacks: Telecommunications, Custodial Services, Mail Services, other Facilities Services, Campus Insurance Program (for events and international travel)

Chargebacks

SF State chargebacks

Category	2018 – 2019	2019 – 2020	2020 - 2021
Telecommunications	\$505,996	\$516,310	\$556,432
Custodial Services	150,364	206,716	191,748
Mail Services	158,598	119,023	166,062
Reprographics	488,483	385,471	38,979
Other Facilities Services	194,093	299,582	137,400
Insurance Program	60,225	40,022	27,739
Other	8,359	16,595	865
Total intra-general fund chargebacks	1,566,118	\$1,583,719	\$1,119,225

Chargebacks

4. Typical questions asked about Chargebacks:

- Suppose a department needs some extra painting. I don't actually get a painting budget... So where is the chargeback supposed to come from? And generally there are areas that haven't been painted in 25 years in any department; doesn't that make up for those that might need it every three years? For many other recharge items, we're looking at a building that was, say, under-powered and needs an outlet upgrade, or a spot with asbestos that becomes part of the project.
- Suppose accounting charges facilities \$1,000, and then facilities charges accounting \$1,000 for something else. In your totals, is that 0 in chargeback, or is it \$2,000? Either way, with the same money moving back and forth.
- One of my concerns is with the manner in which chargebacks are made. They usually appear as a debit, or package of debits, with no explanation at the department level. The timing of the charge may not even be close in time to when the service was provided. This leaves a lot of unverified and sometimes unanticipated charges. So there are multiple problems – we don't know where to draw the line between a budgeted and an unbudgeted charge, and we don't have control over how and when it's paid.
- The most difficult chargebacks are between departments and, say, CEL. For instance, in lab courses, we don't know exactly what fraction of our supplies are assigned to individual CEL lab sections versus others, and there's not much sense in placing separate orders, warehousing separate supplies, etc. And there are sometimes opportunity costs – support staff time and space that could be used for other purposes, or preparing for the regular semester to come.

Chargebacks

5. Next steps and dialogue