

Rate Studies in the Arizona Experiment Station

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Service Centers & Rate Studies: Why and What

A service center is a unit in the university that provides goods or services principally to university researchers. Examples include the Arizona Research Laboratory, University Animal Care, and the Arizona Experiment Station. The fee that is charged for these goods or services must be approved by the UArizona Financial Services Rate Studies Team. The intent of the rate study is to demonstrate to the Federal Government, through a cost-based analysis, that the university is not overcharging for these goods and services. Rate studies are subject to federal audit and are conducted annually, but due to the volume and complexity at AES, they are conducted every two years. All UArizona users must be charged the amounts defined by the rate study regardless of the source of funds.

Not all service centers require a rate study. Some provide goods or services on a sporadic basis or do not generate enough annual revenue to warrant the administrative cost of a rate study. The Rate Studies Team uses \$5,000 in annual revenue as a threshold for a rate study. AES generates over \$2 million annually in rate studies revenues. The [ALVSCE Rate & Review Team](#) is available for assistance.

Rate Studies: How

A rate study calculation uses the following formula:

$$\text{Rate Study} = \frac{\text{Allowable Costs} - \text{Prior Balances}}{\text{Units of Usage}}$$

Allowable costs are:

1. measurable, based on actual spending (not projections or in-kind support),
2. direct (not indirect or recovered through the university's F&A rate), and
3. directly allocable to the production of the good or service.

Examples of allowable costs: labor, irrigation, vehicle repairs and maintenance, fuel usage, seeds, fertilizer, chemicals, and supplies. Many costs are not allowed, including utilities, administrative support, vehicle and equipment purchase and depreciation, and facilities maintenance costs. These unallowable costs are subsidies paid by ALVSCE without recovery. Prior balances are funds carried over fiscal years by the AES Unit from prior charging of PIs. Units of usage can include acres, labor hours, acre inches of irrigation, greenhouse bench space, and tractor hours, and as total usage increase, rates will decrease, and vice versa. The structure of rates and data used to produce them are provided by the unit undergoing the study.

AES is an \$11 million organization and receives 20% of its annual operating budget from rate studies, 30% from charges to non-university parties, and 50% from a subsidy allocated by ALVSCE. Unlike many states, Arizona has no state budget line to support AES.

Mechanisms to Pay Goods and Services Fees

Although it is intended that goods and services are budgeted into and paid for from the direct costs of sponsored project agreements, fees can be paid from multiple sources. This provides the opportunity for strategic investment from unit, college, division or university funds to subsidize rates for specific projects. Examples include but are not limited to rate changes that occur during a multi-year sponsored project when budget flexibility is not available to accommodate the increase, and venture investment projects funded by the unit, college, division or university. For more information, contact relevant academic unit leader(s) and/or the ALVSCE Associate VP for Research.