

## Development and Administration of Research Service Centers

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| <b>Subject:</b> Research Service Centers  | <b>Effective Date:</b> 08/01/2018   |
| <b>Responsible Offices:</b> Academic and Research Affairs (ARA)<br>Finance and Business Services (FBS)<br>Sponsored Projects Administration (SPA) | <b>Responsible Executive:</b> VP for Academic & Research Affairs and Senior VP for Finance and Business Services and Associate Vice President for Sponsored Projects Administration |

### I. POLICIES

The University of Texas Health Science Center at Houston (“UTHealth”) encourages the development of collaborative relationships among faculty around research and academic interests related to the missions of UTHealth. To that end, UTHealth enables academic departments, schools, and the university itself to establish research service centers (“RSC”) for specific purposes in pursuit of our missions.

This section sets forth the policies governing the development and administration of RSCs. The policies have been developed to ensure compliance with the Federal cost principles for educational institutions contained in OMB Circular A-21 and UTHealth HOOP Policies.

Research Service Centers are facilities which provide services and technology access, or expertise utilized by many investigators to conduct their research, but which are generally too expensive or specialized for investigators to cost-effectively provide and sustain themselves.

Research Service Centers offer significant advantage by providing:

- Access to state-of-the art services and technology,
- Technical expertise to ensure experienced use of equipment and enhance data quality,
- Increased dependability of equipment,
- Reduced duplication of equipment

Research Service Centers are not intended to subsidize the costs of research. Rather, they are intended to enable operational efficiencies which will both i) drive the costs of providing the services down (with the cost savings being passed on to the users) and ii) assure a much broader availability of services to the research community.

User fees should therefore be established to reflect the real costs of performing the services provided.

These costs include:

- Labor costs for operating the instrumentation

- Materials and supplies consumed in providing the services
- Normal operating and maintenance costs of the instrumentation

In most cases, the departments provide operational subsidies to the Research Service Centers costs to allow lower rates for university faculty. In all cases, direct costs must be calculated in the budget and departmental subsidies can be reflected to indicate service fee reductions.

Research Service Centers will be established and operated in accordance with Uniform Guidance and can only be established after approval from the Office of Research, Office of Finance and Sponsored Projects Administration. They will be managed and operated on break even basis; accumulated surpluses and deficits should not exceed 2 months annual expenses.

The purpose of a Research Service Center is to provide Goods or Services to sponsored awards. Therefore they must adhere to the provisions of the OMB Uniform Guidance 2 CFR 200. The Uniform Guidance is the Federal regulation governing the University regarding the charging of facility and administration and direct costs to federally financed sponsored activities.

The cost of running the Service Center facility or providing the product is charged to users on a "rate" basis. Rates are generally formulated to recover the costs of operations such as salaries, benefits, maintenance, repairs, and supplies. There are three types of service centers defined as follows:

A **Specialized Service Facility (SSF)** is a service center that provides highly complex or specialized services and has an annual operating budget in excess of \$1,000,000, see [Uniform Guidance](#) for examples and additional information. UTHealth has one specialized service facility as of January 2018.

A **Research Service Center (RSC)** is an operating unit established for the purpose of providing goods or services to both internal and external customers and meets the following criteria; the costs of its good or services can be directly identified with the activities in which the goods or services are produced, i.e., its charges constitute direct costs to users; its goods or services benefit instruction and/or research activities; it has a predetermined rate(s) for goods or services; and it has an annual operating budget between \$30,000 and \$1,000,000.

A **Small Research Service Center (SRSC)** is a Research Service Center with an annual operating budget below \$30,000. It provides goods or services to fewer customers but still offers benefit to instruction and/or research activities at the institution.

Throughout this document the term “research service center” includes specialized service centers, research service centers and small research service centers unless differentiated.

**a. Qualifying Criteria for Research Service Centers**

1. Research service centers must provide goods or services for a fee on a continuing basis to internal users and may provide services to external users to a lesser extent.
2. A research service center is required to set internal recharge fees to recover its annual operating costs.
3. A separate funding value must be established in UTHealth’s accounting system to record the actual direct operating expenses, revenues, billing, collections and surplus and deficit of each research service center.
4. The Dean of the School or Chair/Director of the Department/Institute in which the research service center is established must designate appropriate funds each fiscal year to pay for annual operating losses and unallowable costs.
5. A business plan that includes a current budget with a two year forecast and an annual report that contains a list of users must be submitted to the UTHealth Executive Research Service Center Committee annually for review and approval. This must be provided during the annual budget process in a timeframe defined by Budget and Financial Reporting and/or related school whichever being the sooner date.
6. The initial establishment of a research service center requires review and approval by the UTHealth Executive Research Service Center Committee of an RSC proposal, budget and letter of support signed by the corresponding department chair and dean. The department must establish that there is both a need and a clear benefit to be derived from providing goods and services within UTHealth rather than through an external vendor or nearby institution.

**b. Research Service Center Pricing**

1. **Internal Users** – A research service center must not discriminate against any internal group of users whether federally and non-federally supported activities. All internal users must be charged the same rate for the same service under the same circumstances. User fees charged to a federal project may not directly or indirectly subsidize nonfederal users. Pricing at the internal rate may be used for users of other academic institutions, provided that a formal, executed agreement exists between UTHealth and the other institution(s).

2. **External Users** – The research service center must charge a higher rate than that charged to internal users for similar services.
3. **Billing & Rates** – The research service center bills its users by invoicing a charge (rate) for goods or services furnished from one UTHealth operating unit to another UTHealth operating unit or external customer. The charge is minimally composed of all related direct costs (may also include depreciation for capital equipment utilized) and, where appropriate, related indirect costs and mark-ups for the goods or services sold. All users of the research service center must be billed for services.
4. **Subsidized Users** – All users must be billed at the full rate (internal or external) for services received. If the user has a subsidy available to pay for received services, the subsidy will only be allowed from non-federal and non-research service center funds.

**c. Use of Research Service Center Surplus**

The first claim on any fiscal year surplus is to:

1. Maintain a working capital reserve in its designated fund equal to the total expenses for the two highest operating months of the previous fiscal year.
2. Pay off all prior year losses.
3. Fund the RSC equipment depreciation for the fiscal year that will be deposited into a research service center equipment replacement fund or companion account.

**d. Closing of a Research Service Center**

A research service center that has not operated consistently in compliance with UTHealth Research Service Center policy may be closed after a review by the UTHealth Executive Research Service Center Committee and the related school Dean. Upon closure of the research service center, any accumulated deficit created by the operations of the research service center will be resolved by the designated departmental guarantee funds.

## **II. DEFINITIONS**

### **Internal Users**

Internal users are our primary customers. Internal users are from UTHealth academic and administrative schools, departments, and institutes who purchase the research service center services or products to support their work.

### **External Users**

An external user is an entity or person over whom UTHealth has no fiduciary responsibility regardless of the user's relation to our academic mission.

Examples of external entities include but are not limited to:

1. Affiliated entities such as organizations within the Texas Medical Center.
2. Commercial entities such as drug or other for-profit companies.
3. Non-affiliated not-for-profit organizations such as other hospitals, other universities, or governments agencies.

4. Faculty, Staff, or Students acting in a personal capacity (versus in their student or employee role within the University).

### **Executive Research Service Center Committee**

The Executive Research Service Center Committee consists of members from the Office of Academic & Research Affairs (ARA), Finance and Business Services (FBS), Sponsored Projects Administration (SPA) and rotating faculty members.

## **II. PROCEDURES**

### **a. Research Service Center Annual Review:**

1. A business plan that includes a current budget with a two year forecast and an annual report that contains a list of users must be submitted to the UTHHealth Executive Research Service Center Committee annually for review.
2. Each research service center will establish an oversight committee (to include major users of the center and a small faculty advisory board) to oversee the management of the research service center and to address issues of service quality; Oversight Committee's must meet annually to discuss changes in services.
3. Research service centers must review their rates/fee structure annually and revise rates as necessary to incorporate any deficits not covered by departmental subsidies. Each service center is expected to operate as budget neutral after including departmental or institutional subsidies.
4. Each research service center must undergo a comprehensive scientific review, as outlined by the UTHHealth Executive Research Service Center Committee, by its oversight committee every 36 months.

### **b. Financial Compliance (Direct Costs)**

All direct costs related to a research service center must reside in the associated fund (35xxx) and should be included in the rate calculation. These costs include:

1. **Salaries and Wages** – The salaries and wages of all personnel directly related to the research service center. If an individual works on more than one activity, the salary costs should be allocated to the activities based on the percent of effort that is dedicated to each activity.
2. **Fringe Benefits** – Fringe benefits related to all personnel that are charged to the research service center.
3. **Materials and Supplies** – The costs of materials and supplies needed to operate a research service center. If inventory is accumulated in a particular year, the research service center should not include the costs of accumulated inventory in its rates.
4. **Other Expense** – Other operating expenses to be included in rates may include non-capital equipment, rental and maintenance contracts, and equipment operating leases, and purchased services (e.g. consultants).

5. **Unallowable Costs** – Unallowable costs must be excluded from the internal user rate calculation. Such expenses (e.g., bad debt expenses, alcohol, etc.) may be recovered only through charges to external users, or funded by non-research service center funds.

**c. Financial Compliance (Indirect Costs)**

1. **Capital Equipment Depreciation** – Capital equipment is defined as an item with a purchase price over \$5,000 and a useful life of over one-year. The purchase costs of a capital item may not be recovered through research service center rates; however, the depreciation associated with the asset may be recovered in the rates.
2. **Other Indirect Costs** – Facilities and administrative indirect costs are not assigned to research service centers and are not expected to be recovered in the rates.

**d. Audit and Record Retention**

Research Service Centers are subject to periodic review by the UTHealth Audit & Advisory Services department and by external federal auditors to evaluate compliance with established UTHealth policies and accounting practices.

Therefore, all research service center activities must be adequately documented and records maintained to support all revenues and expenditures as well as compliance with applicable regulations. All financial and compliance documents should be retained for seven years.

**III. CONTACTS**

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