

ITS Rate Change Policies

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1. Policies

Information Technology Services (ITS) follows all university policies and procedures when setting or changing any rates for services offered to students, faculty, staff, or campus departments. All rates are based on a cost recovery model.

The university does not allow automatic rate increases. The [Office of Accounting](#) and University Budget Council must review and approve any new rates or rate changes for services. ITS submits a completed Service Center Request Multi-Rate Form to the Office of Accounting for any proposed new or changed rates.

The form requires that ITS calculate and provide the following information when proposing a rate:

- A list of each proposed rate name and amount, along with a summary of the service or product that ITS will provide as part of the rate.
- Reasons why rate changes are necessary, including descriptions of any efforts to streamline or reduce expenses in order to avoid rate increases.
- Reasons why the university would benefit from the proposed product or service.
- Reasons why ITS is the most cost-effective way of providing the service, including any alternate methods also evaluated, and whether the services are available from an external vendor or another campus department at a lower cost.
- Reasons why the services are necessary, the expected demand for the service, and the campus communities to which the service will be offered.
- If ITS plans to offer the services to off-campus groups, the form also requires a description about the availability of the service off-campus, how it furthers the university's mission, and how it helps students and/or researchers. However, ITS rarely offers services to non-university groups.

ITS must also include information about the expenses and income estimates used to set the rate. Every cost associated with a service must be included on the form, and must be borne by the service. Expense and income estimates include the following:

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1.1. Direct labor costs

The university does not calculate labor costs for a full-time employee by simply listing the hourly wages or salary the employee receives. A full-time employee does not spend every hour at work on a billable project, but must attend team meetings, participate in training, and have paid leave. Rates must be based on the real number of hours that an employee is available to work on a service. The university employs full-time employees for approximately 2,080 work hours a year, but may consider 1,500 or even fewer hours as billable when estimating labor costs for a rate. ITS must also factor in the cost of benefits, because ITS funds all employee benefits for its staff.

1.2. Indirect labor costs

When costs include an employee's time, they also need to include a portion of the supervisor's time.

1.3. Equipment depreciation/replacement

ITS must budget funds to replace any items used as part of a service. To estimate costs, ITS determines how long similar items have lasted in the past, estimates how long the manufacturer will support the item, and determines how long it can work accurately and securely.

1.4. Other expenses

Hardware and software, consumables, and other owning and operating costs. For example, Student Microcomputing Facility (SMF) lab expenses include part of the cost of guards and cleaning services for the building. An example of consumables would be paper and toner used as part of a printing service.

1.5. Income by customer

ITS must estimate who will use the service and what percentage of income each user group will generate.

ITS must use the expense and income estimates as part of the calculations for a proposed rate. The service must operate as a break-even operation. ITS is normally not able to subsidize these costs. If any subsidization does occur, ITS must explain the situation in detail.

In addition, ITS checks rates for similar services that the open marketplace and other universities offer. ITS wants to provide services at competitive rates – if that is not possible, then ITS considers whether it is practical and feasible to outsource those services. If ITS needs to charge slightly more than private industry, the higher rate must be justified. Increased costs are usually attributable to a limited market, security concerns, and record-keeping requirements. Many commercial services are able to subsidize their rates with advertising or bundled services. ITS is not allowed to use such marketing and pricing.

Some ITS services operate at a slight loss. For example, long-distance service at the university operates at a loss because the rates must be in line with similar services operated by private corporations, which are very inexpensive. In addition, the long-distance service is declining in demand and use.

ITS must offer every campus department and group the same rate. If ITS provides services to non-university groups, the university permits a markup in rates to allow for the university's overhead. However, ITS rarely contracts with non-university groups. State law requires that all services the

university offers must be based on a business need that benefits the university. As a general rule, ITS will not offer services to groups outside of campus unless the service agreement provides a direct relationship with and benefit to the university.

For more information about the process of setting and changing rates at the university, refer to the Service Center Request Forms on the Office of Accounting's [Forms page](#).

2. Revision History

Version	Date	New	Original
ITS Rate Change Policies	3/3/2011	Converted web page to .docx	<i>[Include original text if this is a revision to an Approved version]</i>

3. Approvals

Name	Role	Members	Date
<i>[List committee or subcommittee name]</i> Committee or Subcommittee Name	<i>[Select one and remove the rest]</i> Authoring Input Endorsement Approval	<i>[List members of the committee if a standing body]</i> List members and affiliation.	Date