GUIDELINES FOR DEVELOPMENT AND DOCUMENTATION OF INTERNAL SERVICE BILLING RATE(S)
December, 2007

The following information is intended to offer assistance in developing or updating your internal service billing rate(s) for services rendered.

DEVELOPMENT OF BILLING RATE(S):

1. Departments rendering services to Contract & Grant accounts (61-xxxx & 71-xxxx), must adhere to the following federal regulations when developing or updating their billing rate(s):
   A. The billing rate must be determined with a method that does not discriminate against federally supported activities.
   B. Departments must maintain a log/record of use to substantiate services rendered and related charges to MSU grant accounts.
   C. Federal regulations prohibit charging billing rate(s) that recover more than the cost of the service or include any capital costs, including depreciation and interest expenses related to capital assets.
   D. Any billing rate(s) that include a labor and/or fringe benefit component should recognize and fund those labor costs from the 21-account that the rate is approved for.

   Please see the following page for a listing of potential direct expenses that could be included in your department’s billing rate calculation. Also, for any questions on allowable costs for Contract and Grant accounts (61-xxxx & 71-xxxx), contact Contract and Grant Administration at 5-5040.

2. Departments rendering services to all other users may include a component for depreciation or equipment replacement.

DOCUMENTATION OF BILLING RATE(S):

1. Supporting schedules documenting the development of the billing rate(s) must be sent to the Controller’s Office, 305 Administration Building to be maintained in the account file. The information forwarded should include a breakdown by billing rate components, the estimated unit used to arrive at the unit cost, and the unit cost. (See example below.)

2. The rates should contain a statement to the effect that, the billing rate(s) will be reviewed at a minimum, on a biannual basis, with the rates being adjusted to reflect changes in costs, number of units, etc. for the next year.

3. All revised billing rate(s) should be documented and updated copies sent to the Controller’s Office.

EXAMPLE OF INTERNAL BILLING RATE DOCUMENTATION

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>ACCOUNT NUMBER</th>
<th>DATE</th>
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The billing rate charged for services rendered is composed of the following components:

Salaries, Wages & Benefits:
- Principal Technician ($500/week x 52) $26,000
- Support Technicians (2 @ $350/week x 52) 36,400
- Administrative Assistant ($1,500/month x 30% x 12) 5,400
- Equipment Maintenance 1,000
- Supplies 2,500

Total Cost of Service $71,300

The estimated number of samples run during the year are: 10,000

The cost per sample ($71,300 / 10,000) $7.13
Federal regulations prohibit charging billing rates that recover more than the cost of the service or include any capital costs, including depreciation and interest expenses related to capital assets. The following is a listing of potential direct expenses that could be included in your department’s billing rate calculation. The listing is intended to provide examples of potential direct expenses and not to be all-inclusive. Other direct expenses not listed below should be included in your rate unless specifically prohibited.

1. Direct personnel costs (salary/wages & benefits)
2. Animal care costs
3. Computer software, supplies and services (costing < $5,000)
4. Consultants
5. Duplication/Reproduction
6. Equipment (costing < $5,000)
7. Maintenance contracts
8. Human subjects costs
9. Laboratory tests
10. Patient care costs
11. Photography and technical illustration
12. Publication and reprint costs
13. Purchased services
14. Shipping costs
15. Space rental costs when offsite
16. Special purpose computing services
17. Telephone toll charges
18. Trainee/Participant costs
19. Travel
20. Equipment use fee ****
21. etc.

Prohibited Charges:
1. Indirect expenses (any expenses not incurred by your department – i.e. utilities/insurance)
2. Capital costs including depreciation and interest expenses
3. Any costs that were previously, or will in the future, be reimbursed with federal monies
4. Any profit components

**** - Equipment use fees may only be included for equipment (costing > $5,000) which was purchased with non-Federal and non-General Fund monies. The calculated fee must be based on the actual cost of the piece of equipment, along with any direct expenses incurred in operating the equipment.