



COUNTY REVENUE GENERATION HANDBOOK

Smith Lever Act and Fees for Service

The current USDA user fees policy, stated in Chapter III of the Administrative Handbook for Cooperative Extension Work, is as follows: 7 CFR 3015 Subpart F, allows recipients of assistance to charge user fees that then will be counted toward program income. However, the imposition of user fees for core Extension educational programs is inconsistent with the statutory purposes of the Smith-Lever Act. Therefore, user fees may not be charged for educational services especially if the proceeds are to be used to augment the operational cost of the Cooperative Extension Services in substitution of State appropriations for that purpose. However, it is permissible to charge fees for incidental costs if the proceeds are used in furtherance of Extension work. For example, recovery of costs related to printing, mailing, and handling of Extension publications is permitted, provided fees are returned to the Extension program. In addition, fees may be charged for services which are considered non-educational in nature such as soil and water testing, forage testing, and farm analysis. Registration fees may be charged for Extension-sponsored workshops for incremental costs associated with the cost of conducting the workshop. It is imperative that the fee charged cover only the cost incurred and that the Extension clientele understand the nature and the purpose of the fees charged.

Profit

WSU policy does not prohibit entities from making a profit; however, the following factors need to be considered:

1. Services provided must promote the education, research, or public service missions of the University.
2. Market rate must be used when private businesses offer the good/service (i.e. fruit sales, cheese). WSU may not subsidize a product, resulting in a cheaper product to the general public thereby creating unfair business practices.

Assessing Potential for Increased Income to Washington State University Extension: *Addressing Fees for Services*

Overview

Washington State University Extension provides numerous services that have value in the marketplace. Extension currently charges for a number of these services. These include educational products such as short courses and workshops (both face-to-face and online), curricula, publications, video, other electronic media, and direct consultations. In charging for these services, the overall goals are to: 1) maintain funding to provide relevant high quality educational programs and services to Washington's residents, 2) incentivize revenue generation leading to an increasing the number of educational products in the marketplace offered for fees, 3) to be equitable in developing processes for collection and distribution of revenues, 4) to strive for consistency in mechanisms used for capturing revenues, and 5) managing these resources for strengthening Extension statewide.

Considerations

There are numerous stakeholders and audiences with varying viewpoints on the role and responsibilities of WSU Extension in their communities, industries, services, and functions. Careful analysis is therefore necessary in assessing whether to charge for a service. Things to consider in making this assessment include:

1. **Public versus Private Good.** Work done by WSU Extension programs benefit participants along a spectrum ranging from purely individual private value to broad public value. In a very simplified example, a *private good* (value) is attained when the recipient of the program acquires knowledge that benefits her/him personally and is not transferred to anyone else; whereas a *public good* is transferred when not only the individual receiving the benefits but when society broadly benefits from the program. Sometime argument is made that a program having largely a *private good* should be priced at full market value, while a program that has a broad *public good* should be available at nominal or no cost to the public. In many instances this maybe an over-simplification because a *private good* can also create a *public good*. For example, when an owner increases their business' energy efficiency through WSU Extension training or services, they benefit by increasing their bottom-line (private good), but the public also benefits because this reduces demand for energy reduces society's carbon footprint. This being the case, in the pricing an extension activity or product it is important.

2. **Current Program Support.** WSU Extension programs are supported by a combination of public and/or private moneys through allocations, grants, gifts and contracts. For example, counties pay for travel expenses for county-based WSU Extension faculty and other funders often support similar approaches through their agreements with WSU Extension. Therefore, care must be taken when developing fee for service strategies to ensure that these funding entities do not feel that WSU Extension is selling something that was already paid for by a targeted allocation, grant or contract. At the same time, many funders/supporters are asking how a particular program will be sustained after special funding ceases to be available. Fee for service models can provide a means for program continuation after special funding sources are exhausted.
3. **Funder appreciation.** WSU Extension must ensure funders know their funding is appreciated and needed. Fee models are largely designed to replace lost public money with private money (from fees). An unintentional message that WSU Extension can do without state or county support would be incorrect and could result in reduced funding by the University, Legislature and county governments. An aggressive move to a *fee for service* therefore must be coupled with careful communication with legislators, the University, county commissioners and other stakeholders. Timing in instituting *fee for service* is also a consideration. An announcement of new *fee for service* structures should not precede critical budget discussions at the county or state levels. Plans for adding *fee for service* models should include a deliberate communication with county government and/or other stakeholders to ensure that there is clear understanding about our rationale. Care must be taken to develop a communication strategy that reflects increasing capacity in counties and not replacement of existing county funding.
4. **Incentives to Faculty and Staff.** Faculty and staff gravitate toward *fee for service* as way to increase resources for programs. Therefore, the distribution of fee developed funds must always recognize this reality.
5. **Revenue Sharing and Strategic Directions.** The vast majority of resource development activities should be in-line with the strategic goals of Extension. As such, a much greater percentage of fees should be returned to faculty and staff doing work that is strategically important to WSU Extension. Conversely, revenue development in support of outdated programs should be minimized.
6. **Distribution of Revenues and Contribution.** To a great extent, the current model allows for revenue developed from fees to be solely expended by the unit creating the revenues. Yet educational products often are developed with significant assistance from other WSU Extension unit beyond the unit providing the educational product. For example, online non-credit courses may be developed with critical support from Computing and Web Resources or Professional Development. When these educational products are sold, a mechanism should be in place for capturing and redistributing a portion of revenues to support this infrastructure.

7. **Inability to Pay.** Some audiences and individuals need the educational services provided by WSU Extension but lack the ability to pay. A mechanism is needed to allow for access, equity and opportunity for these audiences. . A fee for services model can provide support and scholarships that lend support to limited resource audiences.

Recommendations

Fee structures should differ depending upon the nature of the program, availability of public resources, and the ability of the target audience to pay for services. The following also delineates between travel reimbursement and other forms of revenue.

1. **Program Delivery Charges.** An assessment process will be designed to determine the ability of audiences to pay for events including short courses, field days, workshops, and online educational delivery. Fees will be paid to a central system and redistributed based on revenues and cost of program delivery.
2. **Travel Reimbursement.** Charges for travel expenses will be standardized and be based on WSU travel rates and policies and /or county policies whichever is appropriate. This includes mileage costs, per diem rates, car rentals, airfare, etc. Reimbursement structures for travel from fees should not differ from reimbursement from public funds. Standard schedules will be developed and communicated that clearly define the scope of fees. These fees will be based on actual cost of travel (mileage, airfare, per diem).
3. **Cost Recovery for Support Services.** Schedules for services provided by WSU Extension support units will be standardized and updated. This includes charges for certain types of IT support, web development, web conferencing, graphic design, and pre-press development of publications. A billing structure will be implemented for each of these services.
4. **E-Commerce Systems.** Centralized e-commerce systems will be enhanced to allow for credit and debit card use as well as payment by cash or check. We have to give consideration here to those counties that have revenue generation expectations and some program fees will be run through county based accounts/systems.
5. **Assessing Cost of Program Development.** When a program is planned, a simple budget will be created outlining the cost of program development and delivery. This will become the basis for determining the amount of resources that will be redistributed to the faculty or staff to cover costs. Costs incurred by support units should be included in the budget. It is assumed that support units will recover costs by billing the program “manager.”
6. **Revenue Sharing from Educational Programs.** Any resources above cost (from the budget in item 4 above) will be redistributed based on a standard formula as follows.
 - **WSU Extension General Fund. 12.5%** of the gross margin (revenues less costs) will be retained centrally. These funds will be used to support faculty and staff

salaries, professional development and other functions that broadly benefit WSU Extension.

- **WSU Extension Program Innovation Fund.** 12.5% of the gross margin will be held centrally in a “program development” fund designed to provide support for innovative program development and innovative program delivery. This will be distributed through an easy but competitive annual application or RFP process.
- **Returned to Program Manager or Team.** 75% of the gross margin will be returned to the program management (individual or team). The distribution of these resources will be determined by an agreement developed at the onset of program planning.

TYPES OF ACCOUNTS AND USES

Workshop Accounts: Revenue accounts for short-term, non-credit training courses that do not require complex financial management. Accounts may be set up for individual educators or for units, and single or multiple trainings. Registration fees can cover direct costs of conducting workshops such as copying, travel, speaker fees and wages. The Extension Educator creates a spreadsheet showing profit or loss for each training session.

Service Centers: Revenue accounts used when a unit charges for goods, services and/or use of equipment.

Sponsored Projects: Grant or contract accounts that have agreed upon deliverables.

Gift Accounts: Donation accounts from private individuals or non-governmental sources, which do not have contractual terms and/or conditions.

FACILITIES AND ADMINISTRATIVE COSTS

When preparing budgets for workshops, service centers and sponsored projects, Facilities and Administrative (F&A) costs should be considered along with direct costs. This ensures that WSU is reimbursed for the full cost of the activity, not just direct costs.

The [Business Policies and Procedures Manual 40.25.1](#) and the [Sponsored Programs Services F&A website](#) provide background information about (F&A) costs including:

- Current F&A rates
- History of F&A cost funding
- How F&A cost rates are calculated
- How F&A cost recovery provides significant funding for the infrastructure and administrative activities necessary to carry out the University’s research programs.

WORKSHOP ACCOUNTS

A Workshop Account is a type of revenue account established for short-term, non-credit training courses that do not require complex financial management. Accounts may be set up for individual educators or for units, and single or multiple trainings. This type of account provides a mechanism to deposit revenue and charge related expenses for small training sessions. Registration fees can cover direct costs of conducting workshops such as copying, travel, speaker fees and wages. The Extension Educator creates a spreadsheet showing profit or loss for each training session.

Procedures to Obtain a Workshop Account

1. Complete the Workshop Account Request Form
2. Submit the form to the WSU Extension Finance/Budget Manager
3. The WSU Extension Finance/Budget Manager reviews and approves if appropriate, and assigns an account number

Fees

- All revenue deposited to workshop accounts are assessed an 8% administrative fee that is collected and retained by the university Controller's Office.

Recipient Roles and Responsibilities

- Follow established WSU procedures for cash handling, billing, and monitoring revenue, expenditures, and balances.
- Review account activity and the budget statement on a regular basis to verify that deposits and expenses relate directly to the workshops offered and to ensure that the account maintains a positive balance at all times.
- Correct overdrafts immediately by revenue or expense transfer.
- For each workshop offered, complete a final Workshop Reconciliation Report within 2 weeks after the workshop and keep it on file for 2 years beyond the current fiscal year.
- Retain documents in accordance with the current records retention schedule.

SERVICE CENTERS

A service center is a type of revenue account that charges for goods, services, and/or use of equipment. The University shall not engage in any sales activity solely for the purpose of raising revenue. There are two types of Service Centers:

- **Recharge Operation (Sales to University Units):** The primary purpose of a recharge operation is to provide specific services to the University community. A recharge operation provides a method for generating revenue to offset costs. Examples of WSU recharge operations include motor pool, imaging centers, central stores, or any unit that charges fees for publications, copying, or equipment use.
- **Enterprise Account (Sales to the non-WSU Entities):** An enterprise account is established primarily to make sales to non-WSU entities, although services may also be provided to internal faculty, staff, and students. The goods or services must be directly related to the educational, research, or public service mission of the University; not commonly available in the private marketplace; and in demand from the external community. The price or fee for the good or service is established at to account for the full direct and indirect cost, including University overhead.

Procedures to Obtain a Service Center Account

1. Complete a Service Center Application, Service Center Rate Proposal Spreadsheet, and Service Center Questionnaire.
2. Submit the three forms to the WSU Extension Finance/Budget Manager
3. The WSU Extension Finance/Budget Manager submits the forms to General Accounting

Fees

- All revenue deposited to service center accounts are assessed an 8% administrative fee that is collected and retained by the university Controller's Office.

Recipient Roles and Responsibilities

- Read and comply with BPPM 30.15
- Assemble and verify the accuracy of information required to establish the service center and to establish the rates charged to clients
- Calculate and review service center rates at least annually
- Submit applications for rate review to General Accounting as required
- Consistently apply service center rates to all clients within each category
- Ensure that unallowable costs are not included in rate calculations
- Maintain accurate and complete records of operations
- Follow established WSU procedures for cash handling, billing, and monitoring revenue, expenditures, and balances

- Review account activity and the budget statement on a regular basis to verify that deposits and expenses relate directly to the service center and to ensure that the account maintains a positive balance at all times.
- Correct overdrafts immediately by revenue or expense transfer.
- Retain documents in accordance with the current records retention schedule.

Establishing Rates

- The service center should be a break-even operation; that is, rates should not recover more than the total costs of the service center over a long-term period (normally defined as two years).
- Fees charged by enterprise accounts for goods, services, or facilities must take into account the full direct and indirect costs, including overhead. ([RCW 28B.63.040](#))
- Consider the price of such items in the private marketplace in establishing the price or fee. In addition, the sales activity shall not be solely due to excess capacity within the University or any of its constituent units or departments.
- If equipment replacement is included in the rate, you must include equipment depreciation in the rates.

Resources

- [Washington State University Executive Policy #17 on Sales of Goods and Services](#)
- [Washington State University Business Policies and Procedures Manual 30.15.1](#) (includes instructions for completing forms)
- [Service Center Application](#)
- [Service Center Rate Proposal Spreadsheet](#)
- [Service Center Questionnaire](#)

SPONSORED PROJECTS

Sponsored Projects are an important resource for WSU Extension. Extension Educators are strongly encouraged to seek outside funding to support high priority programs.

Sponsored Projects Have the Following Characteristics:

- Scholarly or scientific inquiry requiring either a work statement, an orderly testing of specific hypotheses, methodology, or validation of specific approaches.
- Defined personnel, publications, and/or performance expectations.
- Line item budget detailing expenditures by activity, function, and project period.
- Detailed fiscal or activity report or external audit required at intervals during the course of the work and/or at the end of the project period.
- Unexpended funds are returned to the sponsor at the end of the project period.
- The disposition of either tangible properties (e.g., equipment, records, technical reports, theses, dissertations) or intangible property (e.g., rights in data, copyrights, inventions) resulting from the activity.

Procedures to Obtain a Sponsored Project

- Obtain Request for Proposals (RFP) from the Office of Grant and Research Development (OGRD) or various agencies or other entities that put them out. For sponsors that do not have a formal proposal or award process, they will assist you in modifying one of WSU's agreement templates.
- Write your narrative and budget
- Submit your draft proposal to CAHNRS Grants for review and approval
- CAHNRS Grants submits your proposal to OGRD for submission to the funding entity.

Fees

- F&A rates apply to all awards, but vary depending upon the type of activity and the location. If a funding agency prohibits or limits F&A costs, it is WSU's policy is to honor the funding agency's restriction.

Recipient Roles and Responsibilities

- Follow RFP and established WSU procedures for cash handling, billing, and monitoring revenue, expenditures, and balances
- Review account activity and the budget statement on a regular basis to verify that expenses relate directly to the sponsored project and to ensure that the account maintains a positive balance at all times.
- Correct overdrafts immediately.
- Retain documents in accordance with the current records retention schedule.

GIFTS ACCOUNTS

Gifts have all of the following characteristics:

- The contribution is from a private individual or a non-governmental source and there are no contractual terms and/or conditions.
- The donor specifies that the contribution is to be a charitable gift.
- The donor places reasonable conditions or stipulations on the intended use of the gift. The conditions or stipulations must direct the funds to areas such as scholarships, capital improvements, the University's endowment fund, or general research of specific interest to the donor, etc.
- The donor intends the gift to be irrevocable and, therefore, relinquishes the right to reclaim the gift or any unused remainder.
- The donor makes the donation to the University without the expectation of direct economic benefit or other tangible benefit commensurate with the worth of the gift. Indirect benefits are not sufficient to negate the gift. Indirect benefits include tax advantages, business or personal goodwill derived from close association with the University, and miscellaneous benefits derived from the donor club status.

Types of Gifts Accounts

- **Unit Development Fund:** Unrestricted donations for which the donor has not specified a particular use, or has specified a broad and undefined use.
- **Expendable Fund:** Established with a minimum of \$5,000 plus evidence of expected future gifts. To reduce the number of gift accounts to be administered, new contributions can often be placed in existing accounts and still fulfill the intent of the donor. May be used for discretionary or restricted use within a department.
- **Endowed Fund:** Permanent fund in which the principle is never expended, and a percentage of income is used to annually carry out the donor's stated purposes. There are various endowed accounts that can be established.

Procedures to Obtain a Gift Account

- Contact the WSU Extension Finance/Budget Manager or the CAHNRS Office of Alumni and Friends.

Routing Donations

1. Complete the attached Gift Transmittal Form for each donation received.
2. Attach a copy of all correspondence that was received with the gift or sent by the donor explaining the gift.
3. Attach the check
4. Make a copy of the Gift Transmittal Form and the attachments for your records.
5. Mail the Gift Transmittal Form, check, and copy of all correspondence received to CAHNRS Office of Alumni and Friends, PO Box 646228, Pullman, WA 99164-6228.
6. The WSU Extension Finance/Budget Manager will keep copies in the follow-up file until the donation is posted to the account.

7. The Office of Alumni and Friends will record the donation, make copies for files, and deliver the donations to the WSU Foundation's Advancement Services for processing.
8. The WSU Foundation sends a receipt to the donor as proof that the gift was received and deposited as requested.
9. If the deposit is for a sub-account, the WSU Extension Finance/Budget Manager sends a request to the Controller's office to have the money transferred from the home account to the subaccount once the donation is posted to the home account.

Routing Cash Donations

Whenever possible, provide the name and address of the donor and the amount of the cash donation so we can give them credit for the gift.

1. Deposit the cash into the local WSU Bank of America account.
2. If there isn't a local WSU Bank of America account, use money out of the donation to purchase a money order.
3. Complete a Gift Transmittal Form and staple the bank receipt to it as proof of the bank deposit or attach the money order.
4. If the money received came from a donation jar, mark the "anonymous" box in the donor section on the Gift Transmittal Form.
5. Follow the rest of the steps above.

Fees

No administrative fees are assessed – in fact some accounts actually earn interest (endowments)

How to use your County's Gift Accounts

Gift accounts shall be expended through the use of standard University procedures for the expenditure of public funds.

Expenses from discretionary accounts must benefit WSU, supporting one or more of the University's missions of research, education, public service, and outreach. The use must conform with the donor's intent for the gift. Additionally, such expenditures must be legal and meet the test of public scrutiny for appropriateness.

Recipient Roles and Responsibilities

- Follow established WSU procedures for cash handling, billing, and monitoring revenue, expenditures, and balances.
- Review account activity and the budget statement on a regular basis to verify that deposits and expenses relate directly to the gift account and to ensure that the account maintains a positive balance at all times.
- Overdraft accounts are not permitted and must be corrected immediately by revenue or expense transfer.
- Correct overdrafts immediately by revenue or expense transfer.
- Retain documents in accordance with the current records retention schedule.