COLORADO STATE UNIVERSITY-PUEBLO

1. **Title:** Self-Funded Activities

2. **Purpose and Effect:** This procedure provides guidelines for establishing, costing, pricing, and administering departmental self-funded activities that regularly sell goods and services. These procedures have been established to provide consistent operational practices among the various self-funded units and to ensure compliance with federal government regulations for university activities that charge sponsored programs under federal government contracts and grants. In addition, they are designed to ensure that activities are accounted for in accordance with Generally Accepted Accounting Principles and federal Business and Finance Standards.

3. **Application:** Self-funded activities are distinguished from other university activities in that revenues are expected to support costs incurred. Only in very unusual circumstances will these activities require a subsidy. Departmental self-funded activities are those that departments are actively engaged in and do not include Student Housing, Student Center, Student Recreation Center, Student Health Center, or the Athletics. Departmental self-funded activities are recorded in the Recharge Center (21) Fund, Educational Business Activities (General Operations) (22) Fund, the Enterprise (29) Fund, or the Auxiliaries (26) Fund.

   Most self-funded activities at CSU-Pueblo involve services, although some activities produce a product or goods.

4. **Exemptions:** None.

5. **Definitions:** The following definitions address terminology used:

   A. **Applicable Credits:** Transactions that offset or reduce costs, such as purchase discounts, rebates, allowances, refunds, etc.

   B. **Billing Rate:** The amount charged to a user for a unit (of product or service). Billing rates are usually computed by dividing the total annual costs of service by the total number of billing units expected to be provided to users of the service for the year. Examples of billing rate computations are included in the Self-Funded User's Guide.

   C. **Billing Unit:** The unit of service provided by self-funded activity. Examples of billing units include hours of service, animal care days, tests performed, machine time used, etc.

   D. **Deficit:** The amount that the costs of providing a service exceed the revenue generated by the service during a fiscal year

   E. **Depreciation:** Depreciation is the systematic allocation of the cost of a capital asset over the period the asset is expected to be used.

   F. **Direct Operating Costs:** All costs that can be specifically identified with a service provided by a self-funded activity. These costs include salaries, wages, and fringe benefits of University faculty and staff directly involved in providing the service, travel expenses, materials and supplies, purchased services, equipment rental or depreciation, interest associated with equipment acquisitions, etc.

G. **Educational Business Activities (General Operations):** The Educational Business Activities (General Operations) (22) Fund provides mission-related goods and services to customers outside the University. Payments are normally made in the form of cash, checks, or credit cards. Sales to faculty, staff, and students are considered outside sales and are included in Educational Business Activities (General Operations) fund activities.

H. **Enterprises:** The Enterprise (29) Fund operates similar to the Educational Business Activities (General Operations) (22) Fund except that these activities have been designated as an Enterprise under the TABOR Amendment to the Constitution. Enterprise activities are expected to be totally self-supporting and will be assessed the University's enterprise G&A overhead rate. Like the Educational Business Activities (General Operations) (22) Fund, these activities serve customers outside the University.

I. **Equipment:** An item of tangible property (excluding building and land) having a useful life exceeding one year and an acquisition cost of $5,000 or more. Purchases under this amount are considered consumable supplies.

J. **Institutional Indirect Costs:** The costs of administrative and supporting functions of the University. Institutional indirect costs consist of administration and general expenses, such as executive management, payroll, accounting and personnel administration, operations and maintenance expenses such as utilities, building maintenance and custodial services, building depreciation, administrative and supporting services provided by academic departments, libraries, and special administrative services provided to sponsored projects.

K. **Recharge Centers:** The Recharge Center (21) Fund provides support of university mission-related activities for internal University customers. Billings from Recharge Centers distribute accumulated costs to other University accounts. Payments are normally made in the form of an Internal Order (IO) or Internal Billing (IB).

L. **Self-Funded Review:** Business and Finance, within Business & Financial Services, answers questions on funded accounts. They are available to the departments of the University for consideration of new account requests and questions. Business and Finance reviews accounts to ensure compliance with Unfair Competition rules, Unrelated Business Income Tax rules, and other Federal guidelines and accounting principles. Sponsored Programs also reviews and makes on going policy decisions and problem resolutions for Recharge Center (21) accounts.

M. **Surplus:** The amount that the revenue generated by a service exceeds the costs of providing the service during a fiscal year.

N. **Unallowable Costs:** Costs that cannot be charged directly or indirectly to federally sponsored programs through a recharge account (21). These costs are specified in OMB Uniform Guidance 200.420. and the Federal Unreimbursable Costs Procedure. Common examples of unallowable costs include alcoholic beverages, bad debts, charitable contributions, entertainment, fines and penalties, goods and services for personal use, and interest (except interest related to the purchase or construction of buildings and equipment). In addition to the costs listed above, contingency reserves are not permitted in recharge center accounts.

6. **Procedure Statement:**

A. **Recharge Centers**

1. **University Mission:** All recharge center activities must either support or relate to the University's instruction, research or public service mission.

2. **Multiple Customers:** Unless otherwise approved, recharge center activities must provide goods or services to multiple customers. If only one customer is served, costs should be charged directly to the benefiting activity or grant.

3. **Minimum Activity Size:** Activities must be of sufficient size to warrant a separate University account. Activities of less than $5,000 will not normally be considered for inclusion as a recharge center activity. Activities may be combined to meet the $5,000 threshold. Exceptions must be approved by the offices of Business and Finance.

4. **Internal Revenues:** Recharge Center activities are normally restricted to revenues generated from within the University using an Internal Order (IO) or an Internal Billing (IB). Activities generating both internal and external revenues will usually operate from both a Recharge Center and an Educational Business Activities (General Operations) Fund account.

5. **Budgets and Business Plans:** Business plans are required for all recharge center activities. For new activities, a business plan should be included with the initial request prior to creating an account. For existing activities, a business plan should be submitted and updated as conditions dictate. The business plan should address key financial issues to demonstrate that the activity can be operated at break-even status. The plan should be based on careful analysis of the activity's potential to generate revenues and to manage expenditures within those revenues and include an assessment of continued marketability of the activity. In addition to identifying expenses required to deliver the goods and services, the business plan should include anticipated equipment and inventory purchases. Activities unable to operate at a break-even status must identify sources of subsidized funding. More information on business plans can be found in the Self-Funded Users Guide.

6. **Billing Rates:** Billing rates should be computed and documented annually or more frequent if needed. They should be submitted to the Business and Finance Office annually or upon request. The rates should be based on a reasonable estimate of the direct operating costs of providing the services for the year and the projected number of units for the year. They should logically represent the type of service provided.

7. **Multiple Services:** If a recharge center provides different types of services to users, separate billing rates must be established for each service that represents a significant activity. Managers must approximate costs, revenues, surpluses, and deficits for each service. The surplus or deficit related to each service should be carried forward as an adjustment to the billing rate for that service in the following year or the next succeeding year. The surplus from one service may be used to offset the deficit from another service only if the mix of users and level of services provided to each group of users is approximately the same.

8. **Cost Allocations:** When separate billing rates are used for different services provided by a recharge center, the costs related to each service must be separately identified through a

cost allocation process. Cost allocations will also be needed if a cost partially relates to the operation of a recharge center and partially to other accounts of a department. Depending on the specific circumstances involved, there may be two categories of cost that need to be allocated: (a) costs that are directly related to providing the services, such as the salaries of staff performing multiple services, and (b) self-funded activity overhead. When cost allocations are necessary, they should be made on an equitable basis that reflects the relative benefits each activity receives from the cost. For example, if an individual provides multiple services, an equitable distribution of his or her salary among the services can usually be accomplished by using the proportional amount of time the individual spends on each service. Other cost allocation techniques may be used for self-funded activity overhead, such as the proportional amount of direct costs associated with each service, space utilized, etc.

9. **Rate Equality:** All users are to be charged for the services they receive and be charged at the same rates. If some users are not charged for the services or are charged at reduced rates, the full amount of revenue related to their use of the services must be imputed in computing the center's annual surplus or deficit. This is necessary to avoid having some users pay higher rates to make up for the reduced rates charged to other users. This requirement does not apply to alternative pricing structures related to the timeliness or quality of services. Pricing structures based on time-of-day, volume discounts, turn-around time, etc., are acceptable, provided that they have a sound management basis and do not result in recovering more than the costs of providing the services.

10. **Break-Even Requirement:** Billing rates should be designed to recover the direct operating costs of self-funded activities plus related self-funded activity overhead on an annual basis. No costs other than the costs incurred in providing the services should be included in the billing rates. The costs should exclude unallowable costs and be net of applicable credits.

11. **Performance Monitoring:** Actual costs and revenues appearing in the monthly Kuali reports should be reviewed each month-end and at the end of the fiscal year. Surpluses should be carried forward as an adjustment to the billing rates of the following year or the next succeeding year.

12. **Subsidized Activities:** In some instances, the University, college or department may elect to subsidize the operations of a Recharge Center, either by charging billing rates that are intended to be lower than costs or by not making adjustments to future rates for a center's deficits. Recharge Center deficits caused by intentional subsidies cannot be carried forward as adjustments to future billing rates. Since subsidies can result in a loss of funds to the University, they should be provided only when there is a sound programmatic reason. Subsidies involving Recharge Centers must be approved by Business and Finance department. When subsidies are contemplated, a memo should be submitted to Business and Finance department indicating the funding source and the amount of the transfer. Subsidies may be in the form of a loan. However, this will need to be approved by Business and Finance. Contributions are one-time, permanent subsidies with no payback anticipated.

13. **Customer Billings:** Customers must be billed on a timely basis. Under normal conditions, billings should be processed monthly. Customer billings may be processed with an Internal Billing or Internal Order.

14. **Accurate Assignment of Costs:** Costs charged to recharge centers must be reasonable and necessary to the operation of the activity. Costs must be accurately assigned to benefiting activities.

15. Unallowable Costs: Since Recharge Centers provide considerable support to sponsored activities, costs considered to be unallowable by the federal government should not be charged to 21 Fund activities. A complete list of unallowable costs is included in OMB Uniform Guidance.

16. Equipment Acquisitions: All equipment acquisitions require the completion of an Equipment Acquisition Request form (EAR). An EAR must be approved by Business and Finance department before submitting the purchase requisition to Property. Any acquisition of equipment must be charged entirely to the Recharge Center account making the purchase; however funds may be borrowed from a 22 Fund or 64 Fund account. Equipment purchases cannot be split between the 21 Fund and 53 Fund. All equipment disposals require the completion of an Equipment Accountability Change Request (EACR) form (refer to the Property Accounting Procedure).

17. Equipment Depreciation: Depreciation is based on the acquisition cost of the equipment, not replacement cost. Annual depreciation cost rather than expenditures for equipment purchases should be used to establish service center billing rates. Including equipment depreciation in the billing rates will generate funds to recover the cost of the equipment and charge customers their proportional share of the cost of the equipment.

Equipment will be depreciated over its useful life. The standard useful life guidelines can be found in the Kuali Financial System by clicking on the maintenance tab under the heading of Capital Asset Management, then clicking on Asset Type. The Asset Type will open the Asset Type lookup screen to search for the useful life of an asset. These useful lives are consistent with those used in the University's indirect cost proposal and rate agreement. Exceptions must be approved by Business and Finance department.

18. Fabricated Equipment: If the department plans on constructing a piece of equipment on a one-time basis, the costs will be recorded in a Work-in-Process account (89 Fund). An 89 Fund account is appropriate when more than one purchase document is required to acquire parts before the piece of equipment can be constructed and operated.

19. Inventory Management: If a Recharge Center sells products and has a significant amount of stock on hand, inventory records must be maintained. If the value of the inventory is expected to exceed $100,000 at any point in the year, a formal accounting of the inventory must be maintained. A physical inventory must be taken at least annually and reconciled to the inventory records. Inventory valuations may be based on any generally recognized inventory method (e.g., first-in first-out, last-in first-out, average cost, etc.). Activities with consumable inventories must utilize appropriate inventory management practices. At a minimum, this should include the use of appropriate valuation methods and safeguarding practices. Detailed instruction may be found in the Inventories of Consumables and Merchandise Procedure.

20. Corrective Action Plans to Resolve Deficit Balances: Accounts with fund balance deficits in 21 Fund accounts are not allowed. There will be some allowances for accounts with seasonal fluctuations, such as crop accounts, etc. However, plans for recovery will need to be submitted to Business and Finance department. Departments and colleges are responsible to resolve deficit balances within their area. Account Managers should monitor accounts with cash deficits in an effort to anticipate potential problems. Quarterly, Business Financial Services will contact the department financial person for an explanation to resolve deficit fund balances. For accounts that continue to be problematic, Business Financial Services will work with the fiscal officer, the account manager, and the department head to implement resolution plans. If no progress is made, the department head and college dean's office will be contacted for further resolution. If the department or college has available funds in other accounts, Business and Finance or Campus Services may request the department or make an accounting entry to subsidize the 21 Fund account and clear the deficit. This will only be done as a final solution after all other avenues have been explored and all parties will be notified prior to making the entry. If at any time during this problem resolution process, Business and Finance deems it necessary to freeze the account they may do so until a satisfactory plan is in place. Corrective action plans should include the anticipated time frame to resolve the deficit, potential funding support, and any revisions to the billing rate calculation. Possible corrective actions include:

a) Increasing the billing rate to cover the deficit.
b) Scale back the operating costs (personnel, supplies, etc.) to reflect current customer base.
c) Subsidizing accounts within the department or college.
d) Ending the activity and closing the account. The department or college will need to identify an account(s) to fund the remaining deficit.

21. **Cash Balances:** The Federal Office of Management and Budgets (OMB) Uniform Guidance Appendix V, "State/Local Government and Indian Tribe-Wide Central Service Cost Allocation Plans" allows charges by a recharge center activity to include a reasonable level of working capital reserve. This guidance provides principles for determining costs applicable to federal programs, which are operated by state and local governments. Although these do not specifically apply to educational institutions subject to OMB Uniform Guidance, does provide guidance on operating, accounting and reporting for the activities of governmental internal service centers. These are similar to the operations of university recharge centers and are recognized by federal auditors in audits of universities. It is, therefore, the policy of the University to allow a maximum 60-day cash reserve for Recharge Centers. The 60-day cash reserve should be based on cash needed to support operating expenses (not un-depreciated equipment). This means the fund balance may be the annual expenses (less accumulated depreciation) multiplied by 2/12, plus the amount of inventory in the account. Departments and colleges will need to fund all equipment purchases and Start-up costs. Departments and colleges will need to fund any deficit cash in 21 Fund accounts without overcharging federal projects and other indirect cost areas such as departmental 13 Fund accounts. Business and Finance may allow some accounts to operate at a deficit cash balance for inventories, but for these exceptions the inventory will be evaluated to determine that it is at the appropriate level. A cash reserve is not intended to provide a contingency for unexpected expenses.

22. **Transfer of Funds Out of Service Centers:** It is normally not appropriate to transfer funds out of a recharge center account to other University funds or accounts. If a transfer involves funds that have accumulated in a recharge center account because of prior or current year surpluses, an adjustment to user charges to compensate for the surpluses may be necessary. All transfers must be specifically approved by the Business Financial Services.

23. **Record Keeping and Retention:** Separate records and accounts should be maintained to document the actual direct operating costs of providing the service, revenues, units of service provided, billings, collections, and the annual surplus or deficit. Activities that make specific charges for the use of equipment (hours times rate) should utilize usage logs to verify use for future audits. Care should be taken to retain records that support federally sponsored projects for the length of the project plus the required audit period (three years) following the end of the sponsored agreement. Records should be retained in accordance with the Record Retention Procedure.

B. Educational Business Activities (General Operations 22 funds) and Enterprise Funds (29 funds)

1. **University Mission:** All Educational Business Activities (General Operations) Fund activities must either support or relate to the University's instruction, research, or public service mission.

2. **Multiple Customers:** Unless otherwise approved, Educational Business Activities (General Operations) Fund activities must provide goods or services to multiple customers.

3. **Minimum Activity Size:** Activities must be of sufficient size to warrant a separate University account. Activities of less than $5,000 will not normally be considered for inclusion as an Educational Business Activities (General Operations) account. Activities may be combined to meet the $5,000 threshold. Exceptions must be approved by Business and Finance department.

4. **External Revenues:** Educational Business Activities (General Operations) Fund activities are normally restricted to revenues generated from sources (customers) outside the University (including students, faculty, and staff). Customers may pay for these services with cash, check, or credit cards, as opposed to a University Internal Order or Internal Billing. Activities generating both external and internal revenues will usually operate from both an Educational Business Activities (General Operations) Fund and a Recharge Center.

5. **Budgets and Business Plans:** Each account manager is required to submit an annual budget for all new activities, which is based on careful analysis of the activity's potential to generate revenues and to manage expenditures within those revenues. Budgets should be based on a sound estimate of projected revenues and expenditures. Estimates should be based on historical data and expected changes having an impact on the account activity (e.g., increased customer base). A business plan should be included with the initial request prior to creating an account request. For existing activities, a business plan should be submitted and updated as conditions dictate. The business plan should address key financial issues to demonstrate that the activity can be operated at least at a break-even status. The plan should include an assessment of continued marketability of the activity. In addition to identifying expenses required to deliver the goods and services, the business plan should include anticipated equipment and inventory purchases. Activities unable to operate at a break-even status must identify sources of subsidized funding.

6. **Billing Rates:** Billing rates should be computed and documented annually. They should be submitted to the department of Business and Finance annually or more frequently if needed upon request. The rates should be based on a reasonable estimate of the direct operating costs of providing the services for the year and the projected number of units for the year. They should logically represent the type of service provided and be reviewed at least every six months. Adjustments should be made when necessary.

7. **Profit Potential:** Billing rates should be designed to recover the full costs of providing the services including self-funded activity overhead and institution indirect cost on an annual basis. Billing rates may recover amounts in excess of cost where market conditions permit.

8. **Performance Monitoring:** Actual costs and revenues identified in the monthly Kauli reports should be reviewed each month end and at the end of the fiscal year.

9. **Subsidized Activities:** In some instances, the University, college, or department may elect to subsidize an Educational Business Activities (General Operations) Fund activity, either by charging

billing rates that are intended to be lower than costs or by not making adjustments to future rates for a center's deficits.

Since subsidies can result in a loss of funds to the University, they should be provided only when there is a sound programmatic reason. Subsidies also may raise concerns related to unfair competition. Business and Finance department must approve subsidies in Educational Business Activities (General Operations) Fund accounts. When subsidies are contemplated, a memo should be submitted to Business and Finance indicating the funding source and the amount of the transfer.

10. **Customer Billings:** Customers should be encouraged to pay for services at the time of sale, using cash, check, or credit card. The Sales-Services Invoice is used to record and process charge sales. All credit sales must be billed on a timely basis. Under normal conditions, billings should be processed monthly. All bills are due when received. Billed revenues and receivables must be accrued at year-end to ensure that they are recorded in the same period in which related costs are incurred. Three object codes are available for recording customer billings:
    a) 4378 – General Sales of Services,
    b) 4380 – Other Sales and Service, and
    c) 4700 – Intra/Inter State Revenue – Aux/Other which is to record revenues received from other State of Colorado agencies. State of Colorado agencies external revenues are exempt from the requirements of TABOR and, therefore, must be separately recorded.

11. **Accounts Receivables Processing:** Account managers are responsible for processing receivables. An account receivable should be recorded for all sales that do not result in the immediate collection of cash. If customers are billed for goods or services provided, an entry to record an account receivable is required. Departments can collect outstanding billings with a maximum of 60 days. After 60 days, accounts must be referred to the University's Special Assets Manager in Business and Financial Services. Special Assets has up to a year to collect the account before it must be referred to the State Collection Agency. More information regarding accounts receivables and specific assistance may be obtained by contacting the department of Business and Finance. The University provides central accounts receivables processing to relieve account managers of both the burden of processing receivable journal entries and tracking past due accounts. By using the University Service-Sales invoice, departments are able to process their receivables centrally. This service reduces the cost of individual uncollectible accounts and results in the immediate recording of revenue in the billing account. For a small fee, uncollectible accounts will be covered centrally. Departments that process their own receivables are responsible for the total amount that cannot be collected.

12. **Accurate Assignment of Costs:** Costs charged to Educational Business Activities (General Operations) Funds must be reasonable and necessary to the operation of the activity. Costs must be accurately assigned to benefiting activities.

13. **Equipment Purchases:** When sufficient cash is available, prior approval for the purchase of equipment is not required for Educational Business Activities (General Operation) purchases. All equipment disposals require the completion of an Equipment Accountability Change Request (EACR) form.

14. **Inventory Management:** If an Educational Business Activities (General Operations) Fund sells products and has a significant amount of stock on hand, inventory records must be maintained. If the value of the inventory is expected to exceed $100,000 at any point in the year, a formal accounting of the inventory must be maintained. A physical inventory must be taken at least annually and reconciled to the inventory records. Inventory valuations may be based on any generally recognized inventory method (e.g., first-in first-out, last-in first out, average cost, etc.). Activities with consumable inventories must utilize appropriate inventory management practices. At

a minimum this should include the use of appropriate valuation methods and safeguarding practices.

15. **Corrective Action Plans to Resolve Deficit Balances:** Departments and colleges are responsible to resolve deficit balances within their area. The business and finance officers should monitor accounts with cash deficits in an effort to anticipate problem accounts. To resolve deficit balances, Business and Finance Services will work with the financial person for an explanation. For accounts that continue to be problematic, Business and Finance Services will work with the financial person, the account owner, and the department head to implement resolution plans. If no progress is made, the department head and college dean's office will be contacted for further resolution. If the department or college has available funds in other accounts, Business and Finance Services may request the department or make an accounting entry to subsidize the 22 Fund account and clear the deficit. This will be done as a final solution after all other avenues have been explored and all parties will be notified prior to making the entry. If at any time during this problem resolution process Business and Finance department deems it necessary to freeze the account, they may do so until a satisfactory plan is in place. Corrective action plans should include the anticipated time-frame to resolve the deficit, potential funding support, and any revisions to the billing rate calculation.

    Possible corrective actions include:
    a) Increasing the billing rate to cover the deficit.
    b) Scale back the operating costs (personnel, supplies, etc.) to reflect current customer base.
    c) Subsidizing accounts within the department or college.
    d) Ending the activity and closing the account.

The department or college will need to identify an account(s) to fund the remaining deficit.

16. **Cash Balances:** Educational Business Activities (General Operations) Fund accounts are expected to provide for their cash needs. Cash balances should be sufficient to cover operating costs, inventory and equipment purchases. Cash balances in excess of what is required to support the activity are permitted in Educational Business Activities (General Operations) Fund accounts.

17. **Record Retention:** Records should be maintained to document the actual direct operating costs of providing the service, revenues, units of service provided billings, collections, and the annual surplus or deficit. Records should be retained in accordance with the Record Retention Procedure.

18. **Contracting:** Accounts with contracts for the performance of research services may be more appropriately classified in the 53 Fund. Detailed information about processing contracts is discussed in the Contracts Procedure. Unauthorized signers may be held personally liable for the terms of the contract. Questions concerning contracts should be directed to the Controller of Business ad Finance.

2. **Enterprise Activities**

Enterprise activities are subject to all of the policies listed above for Educational Business Activities (General Operations) Funds plus additional requirements listed below:

3. Procedures

1. **The Application Process:** The process for obtaining authorization to operate a Recharge Center, Educational Business Activities (General Operations) Fund, or Enterprise activity.

2. **Assessing the Viability of the Activity**: The University has limited resources and there must be reasonable assurance that departmental self-funded activities will be successful and generate the necessary revenues required to cover operating costs. For that reason these new activities need complete support from the responsible department and college. Departments and colleges will be expected to cover losses from failed operations.

3. **Approval Process:** Requests for new accounts require the preparation and submission of a budget, a business plan and billing rate calculation and three year projection. The account request form may be downloaded from the B&FS website. New accounts will also need Unfair Competition, Unrelated Business Income Tax, and possibly Environmental Health Services approval depending on the nature of the activity (see Additional Reviews Section). Each new activity requires approval based on the fund group.

4. **Recharge Centers (21) and Educational Business Activities (General Operations) (22):** Funding for start-up costs must be described in the business plan by the college and agreed to prior to commencing the activity. This includes funds for required equipment and inventory plus funds to finance receivables and losses during the early stages of operation. Start-up costs may be provided by other self-funded type of accounts. This support indicates that the activity is important to the University's mission. Requests for new accounts will first be reviewed and approved by the responsible department.

5. **Enterprise Activities:** Business and Financial Services will review the activity to assure its qualifications for Enterprise status. Before becoming an Enterprise, an activity must first be approved by the Executive Operations Committee. If approval is obtained from the Executive Operations Committee, the activity will operate as an Enterprise on a trial basis for one fiscal year. If the trial period is successful, a recommendation will be forwarded to the Board of Governors (BOG) for approval. If approved, the activity will then be reviewed by the State Auditor's Office who will submit their recommendation to the State Legislature. If the State Auditor's Office and the State Legislature approve, the activity will continue as an Enterprise.

6. **Additional Reviews:** The following reviews may be required for new accounts. Business and Finance will forward the application for the necessary reviews and approvals.

7. **Environmental Health Services:** For all new departmental self-funded accounts dealing with hazardous or radioactive materials, special review and written approval is required by Environmental Health Services department to ensure proper handling and disposal.

8. **Unrelated Business Income Tax:** All new Educational Business Activities (General Operations) (22) and Enterprise (29) account applications will be reviewed for potential Unrelated Business Income Tax liability by the University's Tax Accountant. Both the State of Colorado and the federal government require that tax exempt organizations, including Colorado State University, pay tax on income derived from "unrelated business activities." For an activity to be considered an "unrelated business activity," it must be (1) a trade or business, (2) regularly carried on, and (3) not substantially related to the University's tax-exempt purpose. The Sales and Related Taxes Procedure outlines the University's tax policy and provides additional information about the Unrelated Business Income Tax.

9. **Colorado Unfair Competition Statute:** New Educational Business Activities (General Operations) (22) and Enterprise (29) account applications will also be reviewed by Business and Finance depsrtment to ensure that proposed activities do not violate the Colorado statute that deals with unfair competition. Colorado Revised Statute Title 24, Article 113 regulates competition by State agencies, including institutions of higher education, with private enterprise (business). The Educational Business Activities Procedure outlines the University's policy on educational business activities and the state statute dealing with unfair competition with private enterprise.

   Recharges (21) accounts billing 53 accounts and new accounts will require review from the Office of Bursar to ensure reasonableness of business plans and billing rates. On occasion, a review of a recharge account may be made if necessary or at the discretion of Business and Financial Services.

7. **Reference and Cross-References:** None.