

E. UNIVERSITY FINANCIAL SERVICES

E-6-2 Revenue Producing Activities - RPA

Revenue Producing Activities - RPA

I. Purpose

To provide the guidelines and procedures for the establishment of revenue producing activities by University departments, units and individuals, consistent with the University mission and that of the unit generating the revenue. In doing so, the University must not unfairly compete with the private sector or engage in activities with an unreasonable risk. University departments whose services are provided to other departments within the University must also follow the cost accounting standards as outlined in Appendix 4 Service Center and Recharge Operations.

II. Definitions

- *Revenue Producing Activity (RPA)*: Revenue generated from the sale of products and/or services provided by the University and/or University employees in the course of their duties. Activities that meet the definition of a grant or contract as described in *AR 7:3 Policies and Procedures for Soliciting, Receiving, Recording, and Administering Grants and Contracts for Sponsored Projects* or that otherwise involve research or intellectual property are expressly excluded, and such arrangements must be referred to Office of Sponsored Projects Administration (OSPA).
- *Program income*: Reportable revenue generated from University RPA on contract and grant accounts.
- *Unrelated Business Income (UBI)*: The net income (revenues less expense) from any activity that is not substantially related to the University mission or for which there does not exist a specific exemption under the Internal Revenue Code.
- *Unrelated Business Income Tax (UBIT)*: The tax assessed by the Internal Revenue Service for the aggregated unrelated business income.

III. Responsibilities

1. Department Unit Personnel
 - a. Complete [RPA Questionnaire](#).
 - b. Prepare business plan for activity.
2. Department Fiscal Officer
 - a. Review RPA Questionnaire and business plan.
 - b. Prepare revenue/cost analysis for activity.
 - c. Identify need for contracts and work with Office of Legal Counsel as required by *AR 1:1 University of Kentucky Administrative Organization*.
 - d. Establish monitoring and oversight for activity to ensure any necessary sales tax reporting (see *E-6-1 Sales and Use Tax*) or UBIT reporting (see *E-6-3 Unrelated Business Income Tax*).
 - e. Establish appropriate accounts receivable activity for sales billings, collections and cash handling.
 - f. Establish appropriate procedures for fiscal control of activity as outlined in E-1-3 Fiscal Roles and Responsibilities and E-1-4 Internal Control.
 - g. Establish appropriate cost objects to track RPA.
3. Dean/Director
 - a. Review RPA Questionnaire for accuracy and consistency with unit mission.
 - b. Review business plan for consistency with unit mission.

E. UNIVERSITY FINANCIAL SERVICES

E-6-2 Revenue Producing Activities - RPA

- c. Review revenue/cost analysis to determine feasibility to support activity.
- d. Forward approved RPA Questionnaire, revenue/cost analysis and business plan to Area Fiscal Officer.
4. Area Fiscal Officer (AFO)
 - a. Review RPA Questionnaire, revenue/cost analysis and business plan.
 - b. Forward approved RPA Questionnaire, revenue/cost analysis and business plan to University Financial Services.
5. University Financial Services
 - a. Review RPA Questionnaire, revenue/cost analysis and business plan.
 - b. Refer activities described in AR 7:3 *Policies and Procedures for Soliciting, Receiving, Recording, and Administering Grants and Contracts for Sponsored Projects* to OSPA.
 - c. Consult with Office of Legal Counsel, Risk Management, and other units as appropriate.
 - d. Identify UBI and develop procedures to capture for annual reporting.
 - e. Notify department fiscal officer if RPA is approved, disapproved, or additional conditions will be required.
 - f. Coordinate with department fiscal officer to ensure appropriate monitoring and oversight of sales tax reporting and accounts receivable activity.

IV. Policy

Prior to initiating in any revenue producing activity, University department personnel documents the purpose of the activity, activity risks, business plan, pricing and obtains appropriate approvals. The normal timing of the request would be during the budget cycle but can be initiated at any time. Approval should also be obtained when any change is contemplated for an existing approved RPA occurs.

Certain RPA is administered at the University level and the specific procedures identified in this policy are not applicable to these activities:

- Tuition, mandatory course and program fees;
- Continuing education income, provided within academic mission;
- Room and board;
- Admission to University sporting and entertainment events;
- Delivery of health care services;
- Use, sale or transfer of University real property;
- License for rights under a University patent, trademark, including software support and maintenance; and
- Retail food and beverage services, including catering.

V. Procedures

- A. Unit must complete the [RPA Questionnaire](#) and prepare a business plan to identify projected internal and external sales and direct and indirect costs. Best practice for pricing should always at minimum recover direct costs and recover overhead and profit to extent the market allows. Units selling both to external customers and internal customers will be created according to the procedures in Appendix 4 Service Center and Recharge Operations.
- B. Unit should forward the completed RPA Questionnaire, revenue/cost analysis, and business plan for approvals.

E. UNIVERSITY FINANCIAL SERVICES

E-6-2 Revenue Producing Activities - RPA

- C. AFRS will review and make determination regarding reporting as unrelated business income and establish necessary procedures for reporting accuracy.
- D. AFRS will prepare annual tax return for identified unrelated business activities and pay the tax liability to the Internal Revenue Service. AFRS will then charge the department based on its share of the taxable unrelated business income. Departments should consider that cost as part of the evaluation in determining charge rates.
- E. Departments must also complete annual UBIT Questionnaire as outlined in BPM E-6-2.