

## Functional Expenditure Categories

Colorado public institutions of higher education report expenditures in functional categories.<sup>1</sup> These functions are nationally consistent. The National Association of College and University Business Officers (NACUBO) has published the following definitions:

**Instruction.** The instruction category includes expenditures for all activities that are part of an institution's instruction program. Expenditures for credit and noncredit courses; academic vocational, and technical instruction; remedial and tutorial instruction; regular, special, and extension sessions should be included.

Expenditures for departmental research and public service that are not separately budgeted should be included in this classification. This category excludes expenditures for academic instruction when the primary assignment is administration – for example, academic deans. However, expenditures for department chairpersons and administrators for whom instruction is an important role are included.

**Research.** The research category includes all expenditures for activities specifically organized to produce research, whether commissioned by an agency, external to the institution or separately budgeted by an organizational unit within the institution. Subject to these conditions, the category includes expenditures for individual and/or project research as well as that of institutes and research centers. This category does not include all sponsored programs nor is it necessarily limited to sponsored research, since internally supported research programs, if separately budgeted, might be included in this category under the circumstances described. Expenditures for departmental research that are separately budgeted for research are included in this category. However, the research category does not include expenditures for departmental research that are not separately budgeted. Such expenditures are included in the instructional category.

**Public Service.** The public service category includes expenditures for activities established primarily to provide noninstructional services beneficial to individuals and groups external to the institution. These activities include community service programs (excluding instructional activities) and cooperative extension services. Included in this category are conferences, institutes, general advisory services, reference bureaus, radio and television, consulting, and similar noninstructional services to particular sectors of the community.

**Academic Support.** The academic support category includes expenditures incurred to provide support services for the institution's primary missions: instruction, research, and public service. It includes the retention, preservation, and display of educational materials, for example, libraries, museums, and galleries; the provision of services that directly assist the academic functions of the institution, such as

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<sup>1</sup> In prior years all public colleges and universities reported by function, but under new accounting standards institutions have the option of reporting by natural classification (salaries, travel, etc.). For purposes of comparability, the State of Colorado has elected to continue functional reporting.

demonstration schools associated with a department, school, or college of education; media such as audio-visual services and technology such as computing support; academic administration (including academic deans but not department chairpersons) and personnel development providing administration support and management direction to the three primary missions (instruction, research, public service); and separately budgeted support for course and curriculum development. For institutions that currently charge some of the expenses – for example, computing support – directly to the various operating units of the institution, this category does not reflect such expenses.

**Student Services.** The student services category includes expenditures incurred for offices of admissions and the registrar and activities with the primary purpose of contributing to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. It includes expenditures for student activities, cultural events, student newspapers, intramural athletics, student organizations, intercollegiate athletics (if the program is not operated as an essentially self-supporting activity), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an essentially self-supporting activity). In recent years, some institutions have created an office of enrollment management; expenditures for such an office are best categorized in student services.

**Institutional Support.** The institutional support category includes expenditures for central executive-level activities concerned with management and long-range planning for the entire institution, such as the governing board, planning and programming, and legal services; fiscal operations, including the investment office; administrative data processing; space management; employee personnel and records; logistical activities that provide procurement, storerooms, safety, security, printing, and transportation services to the institution; support services to faculty and staff that are not operated as auxiliary enterprises; and activities concerned with community and alumni relations, including development and fund raising. To the extent that fringe benefits are not assigned to other functional categories, those benefits would be charged to institutional support.

**Operation and Maintenance of Plant.** The operation and maintenance of plant category includes all expenditures of current operating funds for the operation and maintenance of the physical plant, in all cases net of the amount charged to auxiliary enterprises, hospitals, and independent operations. It includes all expenditures for operations established to provide services and maintenance related to grounds and facilities. Also included are utilities, fire protection, property insurance, and similar items. It does not include expenditures made from the institutional plant fund accounts. As the college guide prohibits recording depreciation in the current funds, this category does not include depreciation. (Note: Private sector institutions can no longer use this functional category.)

**Scholarships and Fellowships.** The scholarships and fellowships category includes expenditures for scholarships and fellowships – from restricted or unrestricted current funds – in the form of grants to students, resulting from selection by the institution or from an entitlement program. The category also includes trainee stipends, prizes, and awards. Trainee stipends awarded to individuals who are not enrolled in formal course work should be charged to instruction, research, or public service.

Recipients of grants are not required to perform service to the institution as consideration for the grant, nor are they expected to repay the amount of the grant to the funding source. When services are required in exchange for financial assistance, as in the College Work-Study program, charges should be classified as expenditures of the department or organizational unit to which the service is rendered. Aid to students in the form of tuition or fee remissions also should be included in this category. However, remission of tuition or fees granted because of faculty or staff status, or family relationship of students to faculty or staff, should be recorded as staff benefit expenditures in the appropriate functional expenditure category.

The University of Northern Colorado accounting office assigns a function to each account when the account is opened based on the expressed purpose of the account. If the use of the account changes over time, the operating manager should report that change to the accounting office so account information and financial reporting remains accurate. Any questions may be directed to Michelle Quinn, Assistant Vice President – Finance.