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National Association of College and University Business Officers (NACUBO)

General Definitions of Functional Expense Classifications

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

Research. The research classification includes all expenses 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 those conditions, the classification includes expenses for individual and/or project research as well as that of institutes and research centers.

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

Academic Support. The academic support classification includes expenses incurred to provide support services for the institution's primary programs of instruction, research, and public service. It includes the following activities:

- The retention, preservation, and display of educational materials, such as libraries, museums, and galleries
- The provision of services that directly assist the academic functions of the institution, such as 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 providing administrative support and management direction to the three primary missions
- Separately budgeted support for course and curriculum development

Student Services. The student services classification includes expenses incurred for offices of admissions and the registrar and activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This classification includes expenses for student activities, cultural events, student newspapers, intramural athletics, student organizations, intercollegiate athletics (if the program is not operated as an auxiliary enterprise), counseling and career guidance (excluding informal academic counseling by the faculty), student aid administration, and student health service (if not operated as an auxiliary enterprise).

Institutional Support. The institutional support classification includes expenses for central, executive-level activities concerned with management and long-range planning for the entire institution, such as the

governing board, planning and programming operations, and legal services; fiscal operations, including the investment office; administrative information technology (when not accounted for in other categories); space management; employee personnel and records; logistical activities that provide procurement, storerooms, 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 fundraising.

Scholarships and Fellowships. Generally, institutions report most scholarships and fellowships as tuition discounts and allowances (reductions of tuition and fees revenues).

The scholarships and fellowships classification excludes student awards that are made in exchange for services provided to the institution, such as graduate and teaching assistantships and student work-study programs.

Auxiliary Enterprises, Auxiliary Enterprises — Other, and Other Self-Supporting Enterprises. An auxiliary enterprise exists to furnish goods or services to students, faculty, staff, other institutional departments, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of an auxiliary enterprise is that it is managed to operate as a self-supporting activity. Over time, the revenues will equal or exceed the expenses, although in any individual year there may be a deficit or a surplus. Examples are residence halls, food services, intercollegiate athletics (if operated as essentially self-supporting), college stores, faculty clubs, parking, and faculty housing.

Operation and Maintenance of Plant Expenses. The operation and maintenance of plant category includes all expenses for the administration, supervision, operation, maintenance, preservation, and protection of the institution's physical plant. These expenses include items such as janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture, and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; safety; hazardous waste disposal; property, liability, and all other insurance relating to property; space and capital leasing; facility planning and management; and central receiving.

Depreciation. For public institutions, depreciation expense may be considered either as a functional or a natural expense classification. When expenses are reported by functional classification in the SRECNA, depreciation expense can be allocated to the other functional classifications (such as instruction, research and student services) or allocated only to operation and maintenance of plant expenses, or reported separately. When depreciation expense is reported as its own functional classification, depreciation for all activities (educational and general, auxiliary enterprises, and hospitals) may be combined and reported as one amount in the SRECNA. The majority of public institutions report depreciation as a separate functional classification, in some fashion.

Interest. Public institutions report interest as a nonoperating expense in the SRECNA. This classification includes interest expense on capital debt, payments on capital leases classified as interest expense, and interest expense on other borrowings such as for working capital or student loans.