



Board of Regents Policy Manual

7.2 USG Budget

The USG Budget shall comprise all funds received by USG institutions and agencies including, but not limited to, state appropriations, tuition, revenues generated from mandatory and elective fees as defined in [Section 7.3.2 of this Policy Manual](#), federal, state and local grant and contract revenues, revenues from the sales of services, scholarship income, gifts and donations and the income generated therefrom, and any other such sources as are used to provide for teaching, research, and service and the general and educational activities and functions related thereto in support of the goals, objectives, and mission of the system.

7.2.1 Educational and General Revenues and Expenditures

Education and general revenues and expenditures shall be defined as revenues received and expenditures made to support the teaching, research and public service missions of USG institutions, which shall be categorized as follows.

7.2.1.1 Instruction

The **Instruction** category includes expenditures for all activities that are part of an institution's instruction program. Expenditures should be included for:

Credit and noncredit courses;

Academic, vocational, and technical instruction;

Remedial and tutorial instruction; and,

Regular, special, and extension sessions.

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

7.2.1.2 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.

7.2.1.3 Public Service

The **Public Service** category includes expenditures for activities established primarily to provide non-instructional 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 non-instructional services to particular sectors of the community.

7.2.1.4 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:

Retention, preservation, and display of educational materials, for example, libraries, museums, galleries;

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 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 directly to the various operating units of the institution, such as computing support, this category does not reflect such expenses.

7.2.1.5 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 of 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.

7.2.1.6 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;

Audit services; 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.

7.2.1.7 Plant Operations and Maintenance

The **Plant Operations and Maintenance** 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 funds accounts.

7.2.1.8 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.

7.2.2 Auxiliary Enterprises Revenues and Expenditures

Auxiliary enterprises revenues and expenditures shall be defined as all revenues received and expenditures made for functions and activities that are related to the mission of USG institutions including, but not limited to:

Housing;

Food Services;

Student Health Services;

Student Activities;

Intercollegiate Athletics (excluding intercollegiate athletics which are operated under the authority of a separately incorporated athletic association);

Parking;

Transportation;

Stores and Shops; and

Vending and Other Services.

Refer to [Section 15.0, Auxiliary Enterprise Funds, of the Business Procedures Manual](#) for more information on auxiliary enterprise funds.

Auxiliary enterprise operations shall operate on a self-supported basis with revenues derived from student fees and other non-state sources, except as provided below. Each auxiliary enterprise operation shall be charged for its share of plant operations and maintenance expense as a direct expense, and/or charged on the basis of an allocation methodology, such as share of total institutional square footage. USG institutions may choose also to charge administrative overhead to recoup general costs expended on behalf of each operation.

Each institution shall develop and update annually a five-year plan for each auxiliary enterprise operation that defines the level and manner of service to be provided, planned expenditures and sources of revenue, including projected fee requirements. The format and content of each plan shall be determined by the USG chief fiscal officer, but must minimally shall contain the following:

A statement regarding the role of the enterprise in the context of the institution's academic mission.

A statement of goals and objectives to be achieved over the course of the five-year plan.

A statement on operating strategy, including services to be provided and sources of revenue, including student fees.

A financial pro forma that projects future revenues and expenditures consistent with stated goals and objectives. The method used to allocate plant operations costs and other indirect costs, if charged, also shall be described in the five-year plan.

The plan shall provide for an adequate reserve to cover anticipated renewals and replacements and other contingencies, as necessary (BoR Minutes, January 2010).

Exceptions to the requirement that institutions operate their auxiliary enterprises on a self-supporting basis shall be recognized as follows:

Institutions may choose to operate some auxiliary enterprise activities on a loss basis, but must indicate in their five-year plans how the costs of such activities will be covered by revenues

generated through other auxiliary operations. It shall be the Board of Regents' determination as to whether such losses are sustainable based on the institution's five-year plan.

Institutions may apply general fund resources to auxiliary enterprise operations where such expenditures can be justified as supporting the primary mission of the institution. In no instance may general fund revenues be used to support athletic scholarships. The use and amount of general revenues applied to the support of auxiliary enterprise operations shall be included in the five-year plan.

Accounting records for auxiliary enterprises will be maintained on the full accrual basis. Therefore, funded depreciation will be required for all auxiliary enterprise service equipment, buildings, infrastructure and facilities, and other improvements. The reserve for depreciation will be used for repair and replacement of auxiliary assets according to guidelines provided in [Section 7.0, Capitalization, of the Business Procedures Manual](#). The funds collected will be left with the institutions (BoR Minutes, February, 2007).

7.2.3 Operating Budgets

Each USG institution shall prepare an operating budget for educational and general activities and an operating budget for auxiliary enterprises of the institution for the fiscal year within the limit of funds allocated plus estimated internal income of the institution. Operating budgets of separately incorporated athletic organizations are specifically excluded from this process, although the transfer of student fees to those separately incorporated organizations must be reflected as a single item in the budget submitted to the Chancellor (BoR Minutes, 1946-47, pp. 214-15).

7.2.4 Budget Amendments

Institutions are authorized to amend their annual operating budgets without prior approval of the Board of Regents except for any amendment that exceeds \$1,000,000 and involves state general fund appropriations, auxiliary enterprise funds or student activity funds shall be submitted to the Board of Regents for approval. Prior Board of Regents approval shall not be required for any budget amendment involving special purpose state funds, non-state funds, or internal revenue sources.

Institutions shall be required to report quarterly on all budget amendments to the USG chief fiscal officer under procedures developed by his/her staff. The Chancellor or the USG chief fiscal officer reserves the right to require prior approval of the budget amendments at any USG institution that he/she determines has failed to manage its budget within available resources or in a manner consistent with Board of Regents goals and priorities. Under these circumstances, the Chancellor or the USG chief fiscal officer may request the institution

to develop a remediation plan to assure more appropriate decisions on future budget changes (BoR Minutes, 1951-52, pp. 365-66; June, 1999, p. 17).

7.2.5 Liability for Expenditure of Budgets

Bonds of public officials authorizing expenditures for any purpose whatsoever that are in excess of budget amounts approved by the Board shall be liable for such unauthorized expenditures.
