NACUBO Functions & Program Codes
AGENDA

• Define NACUBO functions & explain why they are important

• Overview of some of the more common NACUBO functions

• Explain how NACUBO functions are assigned and where they are found in Banner

• Show where additional resources can be found
What are NACUBO Functions?

• NACUBO = National Association of College & University Business Officers

• NACUBO established “functions” to create a standard reporting structure for classifying expenses according to the *purpose* for which costs are incurred

• NACUBO functional classifications (which are assigned to program codes) tell *WHY* an expense was incurred...as opposed to telling *WHAT* was purchased (as an account code would do)
Why are NACUBO Functions Important?

Every effort should be made to properly code expense activity to NACUBO functions related to our core activities (Instruction, Research, Public Service), as it helps demonstrate to external parties how we are striving to meet the mission of the University.

Reporting expenses by functional classification helps donors, granting agencies, creditors, and other readers of our financial statements understand the various mission-related expenses and activities of the University.
Why are NACUBO Functions Important?

OCHE uses program codes for calculating ratios to measure against BOR targets and peer groups.

Campus-level EXPENDITURES

<table>
<thead>
<tr>
<th>EXPENDITURES</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
<th>FY21</th>
<th>Difference 1y</th>
<th>Difference 5yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$74,259,332</td>
<td>$71,315,242</td>
<td>$71,376,568</td>
<td>$67,244,285</td>
<td>$64,654,458</td>
<td>-4%</td>
<td>-13%</td>
</tr>
<tr>
<td>Academic Support</td>
<td>$17,042,016</td>
<td>$16,605,767</td>
<td>$17,605,602</td>
<td>$18,891,490</td>
<td>$17,636,512</td>
<td>-7%</td>
<td>3%</td>
</tr>
<tr>
<td>Student Services</td>
<td>$9,786,193</td>
<td>$9,849,941</td>
<td>$10,262,538</td>
<td>$11,135,649</td>
<td>$11,814,890</td>
<td>6%</td>
<td>21%</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>$15,638,004</td>
<td>$12,597,335</td>
<td>$12,780,918</td>
<td>$11,991,030</td>
<td>$14,031,041</td>
<td>17%</td>
<td>10%</td>
</tr>
<tr>
<td>Operation &amp; Maintenance</td>
<td>$15,460,940</td>
<td>$15,137,898</td>
<td>$15,308,303</td>
<td>$15,663,879</td>
<td>$15,832,112</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Research</td>
<td>$1,051,700</td>
<td>$1,326,513</td>
<td>$1,228,350</td>
<td>$1,269,585</td>
<td>$1,197,570</td>
<td>-6%</td>
<td>14%</td>
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<tr>
<td>Public Service</td>
<td>$1,320,469</td>
<td>$1,178,702</td>
<td>$1,115,925</td>
<td>$1,064,951</td>
<td>$964,683</td>
<td>-9%</td>
<td>-27%</td>
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<tr>
<td>Scholarships</td>
<td>$1,462</td>
<td>-$1,462</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total CU Ex (net of waivers)</td>
<td>$134,572,788</td>
<td>$129,099,845</td>
<td>$129,678,205</td>
<td>$127,260,869</td>
<td>$126,131,266</td>
<td>-1%</td>
<td>-6%</td>
</tr>
<tr>
<td>Student FTE</td>
<td>10,477</td>
<td>9,886</td>
<td>9,247</td>
<td>8,653</td>
<td>8,257</td>
<td>-5%</td>
<td>-21%</td>
</tr>
</tbody>
</table>

Key Metrics

- Instruction - down 13% over past 5 years, comprises 51% of total expenditures BOR target = 50%
- % Instruction + Aca Support + Stud Service is consistently over 75% BOR target = 70%
- Expenditures per Student - 92% of peer group median
Why are NACUBO Functions Important?

• Some functions, such as Academic Support and Institutional Support, may not be viewed as favorably by some external parties.

• Some may see this as “administrative bloat” – but that is not entirely accurate.

• Regardless of perception issues, we need to make every effort to assign an accurate NACUBO function to each of our Banner program codes based on the type of activity which will be taking place on that specific program code.
Why are NACUBO Functions Important?

• NACUBO functions create uniformity for financial reporting among higher education institutions, which enables comparability among different institutions.

• Also allows comparability within the same institution from one year to the next, or over a span of years.

  • For example, how much did we spend on instruction in FY20 vs 10 years ago?
Why are NACUBO Functions Important?

- Public institutions are expected and required to use functional expense classifications when reporting expense information a variety of different reports, such as:
  
  - Annual Audited Financial Statements;
  
  - Moody’s credit rating;
  
  - Reporting to OCHE and to major research sponsors;
  
  - IPEDS (Integrated Postsecondary Education Data Systems, which is used for benchmarking by higher education institutions and the federal government;
  
  - Assignment of costs in campus grant accounting systems, which are used to allocate costs and determine overhead recovery rates;
  
  - Cost sharing on sponsored projects
NACUBO Function Definitions

• NACUBO has developed **broad definitions** for each one of these functional categories which includes examples of types of expenses that would fit within that function

• These definitions and examples are sometimes **vague and open to interpretation**

• UM strives to interpret these accurately and consistently to ensure comparability across units and to prior years
NACUBO Functions and Examples of Activities

Instruction – I Index Codes (Program 01)

Expenditures for general academic instruction, vocational technical instruction, special session instruction, continuing education, and remedial instruction.

Includes expenditures for department chairpersons but DOES NOT INCLUDE expenditures for academic deans.

- Expenses for credit and noncredit courses
- Lectures
- Conferences, seminars, workshops
- Executive education or continuing education programs
- IT expenses for instructional activities which are budgeted separately
- Departmental research and public service that are not separately budgeted
Research – R Index Codes (Program 02)

Expenses for activities specifically organized to produce research, whether commissioned by an external agency or separately budgeted by an organizational unit within the institution (Forestry Station is a research component of the current unrestricted funds of the MUS)

- Activity specially organized to produce research
- Research equipment and supplies
- Research portion of faculty costs
- Research centers
- Individual and project research
- Research information technology
- Travel to conferences to learn more about a particular research topic or area of research
- Travel to collaborate and network with researchers from other institutions
Expenses for activities established primarily to provide non-instructional services for the benefit of individuals/groups external to the institution

- Non-instructional services provided for the benefit of the general public and community
- Non-academic conferences, seminars or workshops with a community focus
- Community service
- Public broadcasting
- Information technology for public service activities
Expenses for activities that provide support services to the primary programs of instruction, research and public service as well as the retention, preservation, and display of educational materials.

- Libraries, museums, galleries
- Educational media services
- Academic administration (deans, academic advising, accounting, and administrative support staff)
- Faculty development and Sabbaticals
- Course and curriculum development
NACUBO Functions and Examples of Activities

Student Services – S Index Codes (Program 05)

Expenses for student services administration as well as for activities that contribute to students’ emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program

- Student counseling and career guidance
- Social and cultural development
- Financial aid administration
- Student loans
- Student admissions and student records
- Student health services
- Athletics
NACUBO Functions and Examples of Activities

Institutional Support – T Index Codes (Program 06)

*Expenses for central, executive-level activities concerned with management and long-range planning for the entire institution*

- President’s Office
- Public Relations
- Executive Management
- Fiscal Operations
- System-level Accounting
- Internal Audit
- Student Accounts
NACUBO Functions and Examples of Activities

Operation and Maintenance of Plant – M Index Codes (Program 07)

*Operation, maintenance, preservation and protection of the physical plant*

- Janitorial and custodial services
- Repairs and ordinary or normal alterations of buildings, furniture and equipment
- Grounds keeping
- Security and safety (campus police)
- Property, liability and all other insurance related to property
- Utilities
NACUBO Functions and Examples of Activities

Scholarships/Fellowships – W Index Codes (Program 08)

*Expenses for financial aid to students that do not require the student to perform services as consideration for the aid, and do not require the student to repay the amount of aid received*

- Funded Scholarships & Fellowships
- Waivers (Unfunded)
For more information....
www.umt.edu/budget