**KSU—Program Cost Account—PCA (Functional Expense Classifications)**

**Introduction**

A functional expense classification is a method of grouping expenses according to the ***purpose*** for which the costs are incurred. The classifications tell ***why***an expense was incurred rather thanwhatwas purchased.

**Primary Functional Expense Classifications**

Most institutions use the following classifications when presenting expenses by functional expense classification in the financial statements:

Educational and General

· Instruction

· Research

· Public Service

· Academic Support

· Student Services

· Institutional Support

· Scholarships and Fellowships

· Auxiliary Enterprises

· Operation and Maintenance of Plant Expenses

Other—Capital Improvements

**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.

This classification *excludes* expenses for those academic personnel whose primary activity is administration—for example, academic deans.

KSU uses the following subclasses:

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| **KSU PCA** | **Description** | **SMART PCA** |
| 20110 | General Academic Instruction - Instruction | 42011 |
| 20150 | Summer Session - Instruction | 42015 |

**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.

This classification 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 classification.

KSU uses the following subclasses:

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| **KSU PCA** | **Description** | **SMART PCA** |
| 21210 | Institutes and Research Centers | 45210 |
| 21220 | Individual and Project Research | 45220 |

**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.

KSU uses the following subclasses:

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| --- | --- | --- |
| **KSU PCA** | **Description** | **SMART PCA** |
| 22320 | Community Service | 46320 |
| 22330 | Cooperative Extension Service | 46330 |
| 22360 | International Service | 46360 |

**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

· 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

KSU uses the following subclasses:

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| --- | --- | --- |
| **KSU PCA** | **Description** | **SMART PCA** |
| 20410 | Libraries | 43041 |
| 20420 | Museums and Galleries | 43042 |
| 20430 | Audio Visual Services | N/A |
| 20440 | Computing Support | 43044 |
| 20450 | Ancillary Support | 43045 |
| 20460 | Academic Administration | 43046 |

**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).

KSU uses the following subclasses:

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| **KSU PCA** | **Description** | **SMART PCA** |
| 20510 | Student Services Administration | 44051 |
| 20520 | Social and Cultural Development | 44052 |
| 20530 | Counseling and Career Guidance | 44053 |
| 20540 | Financial Aid Administration | 44054 |
| 20560 | Intercollegiate Athletics | 44056 |
| 20570 | Student Recruitment, Admissions and Records | 44057 |

**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.

KSU uses the following subclasses:

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| --- | --- | --- |
| **KSU PCA** | **Description** | **SMART PCA** |
| 01610 | Executive Management | 41161 |
| 01620 | Fiscal Operations | 41162 |
| 01630 | General Administrative Services | 41163 |
| 01640 | Administrative Computing Support | 41164 |
| 01670 | Public Relations/Development | 41167 |

**Scholarships and Fellowships**

The scholarships and fellowships classification includes expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant to the funding source. In public institutions, they may result from selection by the institution or from an entitlement program. The classification also includes trainee stipends, prizes, and awards.

KSU uses the following subclasses:

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| **KSU PCA** | **Description** | **SMART PCA** |
| 30810 | Scholarships | 47810 |
| 30820 | Fellowships | 47820 |
| 30830 | Supplemental Opportunity and Pell Grants | 47830 |

**Auxiliary 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. Student health services, when operated as an auxiliary enterprise, also are included.

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| **KSU PCA** | **Description** | **SMART PCA** |
| 37910 | Auxiliary Enterprises | 48910 |

**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.

For external financial reporting purposes, independent institutions are required to allocate the costs assigned to this classification to the other functional categories. However, most independent institutions still use this category internally to report functional expenses and to capture costs prior to allocation. As a result, for independent institutions, this category is neither a functional nor natural expense category of the financial statements.

For public institutions, operation and maintenance of plant expenses may be shown as a separate functional classification or the expenses may be allocated to the other functional categories based on an acceptable allocation methodology (such as square footage of buildings). Operation and maintenance of plant is one of the classifications of expense that public institutions will be required allocate among the other functional classifications in the expenses section (Part C) of the IPEDS Finance Survey beginning in FY 2010 (that is, the survey submitted in 2011). For public institutions, this classification does not include interest expense on plant-related debt. KSU operations and maintenance of plant consists of Plant Administration, Building Maintenance, Custodial Services, Utilities, Landscape and Grounds Maintenance, Security and Safety.

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| **KSU PCA** | **Description** | **SMART PCA** |
| 96700 | Physical Plant | 96001 |

**Other—Capital Improvements**

A capital improvement is the construction of or addition to a permanent structure or the restoration of some aspect of a property that will either enhance the property's overall value or increases its useful life.

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| **KSU PCA** | **Description** | **SMART PCA** |
| 99990 | Capital Improvements | 99001 |

**Other—Miscellaneous**

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| **KSU PCA** | **Description** | **SMART PCA** |
| 31960 | Student Loans | 47960 |
| 93930 | Service Clearing | 97001 |
| 95950 | Agency Funds | N/A |
| 97970 | Local Funds | 97970 |
| 98000 | Debt Service | 98001 |