

## UNDERSTANDING UNIVERSITY REVENUES AND EXPENDITURES

THE REVENUE STREAMS AND ACCOUNTING PROCEDURES FOR PUBLIC UNIVERSITIES ARE COMPLEX AND DIFFER SUBSTANTIALLY FROM MOST OTHER STATE AGENCIES AND FROM THOSE OF PRIVATE CORPORATIONS. IN THE PRIVATE SECTOR IT IS USUALLY NOT DIFFICULT TO MOVE FUNDS AMONG ACCOUNTS, AND GENERALLY DOLLARS ARE FUNGIBLE AND CAN BE USED FOR MANY PURPOSES. A PROFIT OR SAVINGS IN ONE PART OF THE ENTERPRISE GENERALLY CAN BE REDEPLOYED ELSEWHERE IN THE CORPORATION. THIS IS MUCH LESS THE CASE AT PUBLIC UNIVERSITIES. UNIVERSITIES RECEIVE FUNDS FROM THE STATE AND FEDERAL GOVERNMENTS, STUDENT TUITION AND FEES, FOUNDATIONS, ENDOWMENTS, CORPORATIONS, BUSINESS OPERATIONS, AND OTHER SOURCES, AND OFTEN THERE ARE CONSTRAINTS ON HOW THE MONEY CAN BE SPENT AND HOW IT IS ACCOUNTED FOR.

PUBLIC UNIVERSITIES ARE ALSO IN MULTIPLE “BUSINESSES.” THERE IS THE PRIMARY AND CRITICAL INSTRUCTIONAL AND RESEARCH ENTERPRISE, OF COURSE, BUT UNIVERSITIES ALSO ENGAGE IN ECONOMIC DEVELOPMENT INITIATIVES, THEY FUNCTION AS LANDLORDS (STUDENT HOUSING), SELLERS OF GOODS AND SERVICES (BOOKSTORES), THEY PROVIDE PHYSICAL AND MENTAL HEALTH SERVICES, OPERATE CHILD CARE CENTERS, RESTAURANTS (FOOD SERVICES), PRINTING AND PUBLISHING HOUSES, AND MANAGE DOZENS OF OTHER ADMINISTRATIVE AND SERVICE FUNCTIONS THAT SUPPORT THESE AND OTHER “BUSINESSES.” IT IS NOT UNUSUAL FOR NON-STATE GENERATED REVENUES, MAINLY FROM RESTRICTED FUNDS FOR SPONSORED RESEARCH AND SELF-SUPPORTING AUXILIARY OPERATIONS, TO CONTRIBUTE AN AMOUNT TO THE UNIVERSITY’S BUDGET THAT EXCEEDS STATE SUPPORT.

WHY IS ALL OF THIS IMPORTANT TO UNDERSTAND? BECAUSE UNIVERSITY ADMINISTRATORS CANNOT SIMPLY AGGREGATE THE DOLLARS FROM ALL SOURCES AND SPEND IT AS THEY PLEASE. THE VARIOUS ANCILLARY OPERATIONS AT A UNIVERSITY OFTEN HAVE RESTRICTED REVENUES THAT CANNOT BE USED FOR OTHER PURPOSES. STATE AND FEDERAL REGULATIONS AND LAWS SOMETIMES DICTATE THAT RESERVE FUNDS BE BUILT UP AND MAINTAINED (EX. MAINTENANCE RESERVE ACCOUNTS FOR STUDENT HOUSING). TYPICAL REVENUE SOURCES FOR PUBLIC COLLEGES AND UNIVERSITIES ARE:

- **ENDOWMENTS** -- MAY HAVE SIGNIFICANT VALUE BUT ONLY A PORTION OF INTEREST EARNINGS MAY BE USED FOR ANNUAL EXPENSES.
- **AUXILIARY OPERATIONS** -- ARE SELF-SUPPORTING (NOT DEPENDENT ON STATE OPERATING FUNDS) OPERATIONS THAT EXIST TO FURNISH A SERVICE. THEY ARE OFTEN FUNDED WITH DEDICATED STUDENT FEES THAT CANNOT BE USED FOR ANOTHER PURPOSE. EXAMPLES ARE RESIDENCE HALLS, PARKING, AND STUDENT UNIONS.
- **FEDERAL SOURCES** – INCLUDE APPROPRIATIONS, GRANTS AND CONTRACTS THAT CARRY WITH THEM SPECIFIC DELIVERABLES.
- **CAPITAL OUTLAY FUNDS** – ARE DEDICATED TO THE ACQUISITION OF LAND AND BUILDINGS (CONSTRUCTION, REMODELING AND ADDITIONS). THESE FUNDS MAY NOT BE USED FOR OPERATIONAL EXPENSES. IN ADDITION TO THESE REVENUE SOURCES, SOME INSTITUTIONS ALSO DERIVE REVENUE FROM LOCAL GOVERNMENTS AND/OR HOSPITALS.
- **STATE GENERAL FUND APPROPRIATIONS AND TUITION AND FEES** -- ARE THE PRIMARY REVENUE SOURCES FOR THE GENERAL OPERATING EXPENSES OF A UNIVERSITY. THESE OPERATIONAL EXPENSES INCLUDE INSTRUCTION (FACULTY), RESEARCH, PUBLIC SERVICE, ACADEMIC SUPPORT (LIBRARIES, COMPUTING SUPPORT, ETC.), STUDENT SERVICES (PHYSICAL, EMOTIONAL, SOCIAL HEALTH), INSTITUTIONAL SUPPORT (GENERAL ADMINISTRATIVE SERVICES, LEGAL AND FISCAL OPERATIONS AND COMMUNITY RELATIONS), PLANT OPERATIONS AND MAINTENANCE AND SCHOLARSHIPS/FELLOWSHIPS. WHEN STATE GENERAL FUND APPROPRIATIONS ARE CUT, THESE SERVICES ARE IMPACTED. ENDOWMENTS, RESTRICTED RESERVE ACCOUNTS, OR DEDICATED REVENUE SOURCES CANNOT BE USED TO REPLACE LOST STATE SUPPORT FOR THE CORE OPERATIONS OF A UNIVERSITY.