



## PERMANENT MEMORANDUM 59 CLASSIFICATION OF ACADEMIC CURRENT FUNDS EXPENDITURES BY FUNCTION

POLICY DIGEST

Monitoring Unit: Finance & Administration  
Initially Issued: April 25, 1973

A recent analysis of budgeted 1972-73 commitments within the various major components of the University System indicates that a disproportionate part of Educational and General expenditures from unrestricted revenue sources are being classified as research.

It is important that expenditures so classified conform to specific criteria. It is also necessary that we achieve a high degree of consistency within the University System regarding the classification of such expenses. An examination of budgeted commitments for 1972-73 reveals that \$4,881,529 has been budgeted for research from unrestricted revenue sources, exclusive of agricultural research conducted by the Experiment Station.

The University in 1971-72 spent \$4,579,163 for research, other than agriculture, from unrestricted sources. By comparison, the University of Illinois in 1971-72 spent \$5,681,021 for such expenses. The University of Illinois had Educational and General commitments last year totaling \$267,765,000 compared to \$99,249,344 for the LSU System. I would question whether these differences are genuine. In my opinion they simply reflect differences in the method of classifying expenses.

Our review of budgeted unrestricted salary expenditures for the current year indicates that a substantial allocation of faculty salaries is arbitrarily being made to research. Unless research is being conducted by project within the framework of a well-organized and well defined research program, in the same manner as research programs supported from outside sources, it should not be classified as Other Separately Budgeted Research. It should be recorded as departmental research. The cost thereof will be reflected in instructional costs within each instructional unit.

In order to insure the classification of budgeted research expenditure is within appropriate functions in 1973-74, it will be necessary that the expenditures for all research conducted by the University be recorded under the following functional categories:

- A. Instruction and Departmental Research
- B. Sponsored Research
- C. Other Separately Budgeted Research

In determining the proper functional classification of operating expenses, you should be guided by the following considerations:

- A. Instruction and Departmental Research. Expenses recorded under this function should include the salaries and wages of all teaching personnel, deans, clerical workers, laboratory technicians, non-classified professional persons, counselors, secretaries, student employees and any other persons employed in the conduct of instructional programs. All other expenses incident to the operation, such as travel, instructional supplies, equipment, office supplies, equipment rental, etc., should be charged to this function, as well as all expenses for research, including salaries and wages, unless separately budgeted.
- B. Sponsored Research. Under this function all direct costs associated with restricted gifts, grants and contract research shall be recorded.
- C. Other Separately Budgeted Research. Expenditures in this category shall include all expenses for separately budgeted research programs without regard for source of funds. These commitments shall also include organizational units such as Divisions of Research in Colleges of Business Administration, Center for Wetland Resources, Urban Studies Institute, Bureau of Educational Materials and Statistics, Computer Research Centers, Councils on Research, Louisiana Law Institute, Southern Review, International Marketing Institute, etc.