

Glossary of Terms

Academic Support

"Includes all funds expended for activities carried out primarily to provide support services that are an integral part of the operations of one of the institution's three primary programs: instruction, research, and public service." Academic support includes: Libraries, Museums, A/V Services, Computing Support, Ancillary Support, Academic Administration, Personnel Development, and Course and Curriculum Development. (Chart of Accounts, 1990)

Account

Account codes provide a specific way of identifying revenues and expenses. In Virginia Tech's Banner Finance system, the term account is an object level indicator for expenses. An account code signifies a specific category for purchased items. For example, account code 13411 denotes the purchase of Laboratory Chemicals. For revenue, the account code usually refers to the fund source. For example, 0011 signifies revenue generated from Fall Tuition.

Amendment

"Any change to a previously enacted Appropriation Act" (DPB, accessed 12/2000). Amendments can be initiated by the Governor or the General Assembly, and must be approved by the General Assembly.

Appropriation

An authorization by the legislature to make expenditures or enter into an obligation for specific purposes. A general fund appropriation is backed with tax payer dollars. A non-general fund appropriation is dependent on institutional funds to support the expense.

Appropriation Act

A statute, under the jurisdiction of the House and Senate Appropriations Committees, that generally provides authority for agencies to incur obligations for the acquisition of goods, services, or facilities and to make payments out of the Treasury for purposes specified in the act. The authorization usually expires at the end of a specified term, most often one year.

Auxiliary Enterprise

An entity that "exists to furnish goods or services to students, faculty, or staff" (Code of Virginia, 1990) in support of the traditional missions of instruction, research, and public

service). These enterprises are financially self-supporting and do not receive tuition revenue or a General Fund appropriation. Auxiliary enterprises are supported by charging for the services provided. Revenue is generated through cash sales and student fees.

Base Budget

In an incremental budget environment, there is usually a consistent funding level from year to year for various programs. The base budget is the portion of the budget that is identified to fund ongoing operating costs, rather than short-term projects. While base budgets are dependent on resource availability, as are all budgets, the intent of the base budget is an ongoing allocation.

Biennium

"A two-year period used by the state for financial and budget purposes. It includes two fiscal years, running from July 1 in an even-numbered year to June 30 of the next even-numbered year" (DPB, accessed 2/2/01). For example, the 2000-2002 biennium runs from July 1, 2000 to June 30, 2002. Virginia Tech's legal authority (i.e., external budget) is driven by the Commonwealth's biennial budget cycle.

Budget

"A spending plan that balances revenues and expenditures over a fixed time period-usually one year-and that includes, at least by implication, a work plan" (Bland and Rubin, 1997); may also include non-financial resources (e.g., personnel (FTEs) or space).

Budget Call

A letter or announcement requesting detailed information about a program's financial, personnel, and other needs for the coming year. A budget call generally produces detailed descriptions with associated costs and justifications for cost or program changes. Request are normally ordered to identify relative priorities.

Capital Project Budget

The Commonwealth has two types of budgets, an operating budget and a capital budget. The capital project budget Describes large, non-recurring expenditures of funds to purchase, construct, or renovate fixed assets such as land, buildings, and other physical plants, or equipment costing more than \$250,000 to construct or \$500,000 to improve" (DPB, accessed 2/2/01).

Capital Outlays

Expenditures to acquire, significantly expand, repair, maintain, or renovate fixed assets.

Capital Projects Fund

A fund created to account for the budget and actual expenses and revenues associated with a particular capital project.

Chart of Accounts

A chart of accounts facilitates recording transactions appropriately. At Virginia Tech, the Chart of Accounts (available under General Accounting Lists at <http://www.controller.vt.edu/procedures.html>) presents hierarchical structures along several dimensions: fund, organization, program, and account. Each Banner fund is established based on codes that identify the funding source/destination, the organization within the university with control and responsibility for the fund, and a program code to identify how expenditures in that fund are expected to contribute to one of the major programmatic areas. Then for each transaction in the fund, an account number is utilized to describe the revenue or the specific item or service being acquired.

Continuing Education (CE)

Programs offering non-degree credit instruction intended to provide skills and education to acquire licensure or certification or to provide recreational or vocational exposure. These activities should have an instructional format. If continuing education units (CEU) are awarded, then it is classified as community education. If not, then it is a public service (e.g., a seminar, personal development).

Cooperative Extension/Agriculture Experiment Station Division

Virginia Tech is comprised of two state agencies. Agency 229 serves the Commonwealth of Virginia, local governments, and the nation through programs that include public service, non-instructional activities established in cooperative efforts with outside agencies as part of the land grant mission. These programs research and disseminate practical solutions to rural and urban problems. Programmatic and fiscal control is shared by the institution and one or more governments (Chart of Accounts, 1990).

Debt

All long-term or short-term credit obligations.

Debt Service

The amount of the periodic principal and interest payment owed on borrowed money.

Educational and General Programs

State program code describing "all operations related to the institution's educational objectives. All activities associated with instruction, research, public service, academic support, student services, institutional support, and operations and maintenance of plant (Chart of Accounts, 1990).

Encumbrance

Commitments incurred by a governmental unit where the goods and services have not yet been received. These commitments are expressed by purchase orders, contracts, future salary, etc. It ceases to be an encumbrance when the commitment is paid or otherwise canceled.

External Budget

Legal revenue generating and expenditure authority of the University. Formally known as the appropriation authority provided to the University in the Virginia Acts of Assembly.

Fiscal Year

A fiscal year is a 12-month accounting period. The fiscal year for Virginia Tech begins July 1 and ends June 30. The fiscal year is designated by the calendar year in which it ends; for example, fiscal year 2001 is the year beginning July 1, 2000, and ending June 30, 2001.

Fixed Asset

Things owned by the university that have considerable value and are intended to last a long time (e.g., land, buildings, certain furniture, and other equipment).

Full-time Equivalent (FTE)

A method of calculating employment and enrollment to adjust for part-time or part-year participation. For classified personnel, one FTE equals 2,080 hours per year. Part-time and part-year employees are expressed as a proportion of a full FTE based on the number of hours worked (DPB, accessed 2/2/01). For GRAs, GTAs, and GAs working 20 hours per week, the FTE equivalent is 0.25.

Fund

1. The formal accounting definition of fund -is a "fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all

related liabilities, residual equities or balances, and changes therein that are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations" (Engstrom and Hay, 1999).

2. In Banner Finance, a fund is a code describing the location of financial transactions. Each fund has attributes that specify its purpose, including its organization, program, and fund source (see example at right). These attributes serve as mechanisms of budgetary control, facilitate financial reporting, and limit access to authorized users. Following is a hypothetical example of the attributes for a fund: Fund: 199454, Title: Biochemistry Salaries, Organization: 044379 (Mythical Biochemistry Department), Program: 010011 (Academic Instruction)

Fund Accounting

"An accounting system organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate" (Engstrom and Hays, 1999). In the public sector, fund accounting is necessary to provide the proper stewardship of public financial resources.

General Fund (GF)

The General Fund is the predominant fund for financing state government programs. The primary sources of revenue for the General Fund are the personal income tax, sales tax, and corporation taxes. The General Fund is a major funding source for higher education.

Indirect Cost

Sponsored programs and other contracted activities, have an associated cost for facilities and administration. The university recovers indirect costs related to overhead from the sponsoring agency or organization. A cost study is conducted periodically to develop the indirect cost rate. The rate charged on most sponsored work is negotiated between the university and a federal oversight agency.

Internal Budget

This document allocates the University's external budget (i.e., resources) to internal senior management level divisions and central fixed costs. The decentralized budget environment at Virginia Tech provides only aggregated budget allocations to the senior management levels by major expenditure type.

Instruction

State program classification that includes all "funds expended for activities which are part of the institution's instructional program" (e.g., courses and experiences for degree-seeking students) (Chart of Accounts, 1990). This classification does not include general academic administration.

Institutional Support

State program classification that includes support for the day-to-day operations of the university. Examples include: Executive Management, Fiscal Operations, General Administrative Services, Logistical Services, and Public Relations and Development.

Maximum Employment Level (MEL)

The maximum number of full-time equivalent (FTE) employees that a state agency is authorized to employ. An agency's total number of employees may not exceed the MEL unless specifically permitted by language in the Appropriation Act.

Nongeneral Funds (NGF)

All sources of revenue other than the General Fund. For example: federal appropriations, tuition and fees, gifts, grants and contracts.

One-Time Budget

An allocation that is non-recurring; one-time allocations are generally made to cover unexpected expenses or to fund short-term projects. Personnel-related expenses are generally not funded by one-time money.

Operating Budget

The Commonwealth has two types of budgets, an operating budget and a capital budget. The annual operating budget guides the University's everyday activities. This document shows spending related to ongoing operations of the programs, services, and activities of state agencies (DPB, accessed 2/2/01).

Operating Expense

Payments for general expenses, contractual services, printing, communication, travel, data processing, equipment, and other expenses occurring in the regular operations of a program (DPB, accessed 2/2/01).

Operation and Maintenance (O&M) of Plant

A state program category that includes all operations established to provide services and maintenance related to campus grounds and facilities. It also includes utilities, property insurance, and similar terms (Chart of Accounts, 1990).

Overhead

Elements of a cost which cannot be determined directly. For sponsored research these costs generally consist of facilities and administration.

Program

Virginia's budget is based on a program structure (see table below), a mechanism for conveniently and uniformly identifying and organizing the state's activities and services. Under this structure, services that the state provides are classified as items in programs and subprograms. A program is a distinct organization of resources by a state agency directed toward a specific objective (DPB, accessed 2/2/01).

**Virginia's Higher
Education
Program
Structure
(Chart of
Accounts, 1990)**

<u>1. Instruction</u>
<u>2. Research</u>
<u>3. Public Service</u>
<u>4. Academic Support</u>
<u>5. Student Services</u>
<u>6. Institutional Support</u>
<u>7. Operations & Maintenance of Plant</u>
<u>8. Student Financial Assistance</u>
<u>9. Financial Assistance for E&G Programs</u>
<u>10. Unique Military Activities</u>

**11. Auxiliary
Enterprises**

Program Budget

A budget wherein the emphasis is placed on the purposes or clients served (as defined in the program structure for each department) by a given commitment of resources.

Public Service

State program classification that includes "activities established primarily to provide non-instructional services beneficial to individuals and groups external to the institution. Such activities could include seminars, projects, and various organizational entities to provide services to particular sectors of the community" (Chart of Accounts, 1990).

Research

State program classification that "includes all funds expended for activities specifically organized to produce research outcomes and commissioned by an agency either external to the institution or separately budgeted by an organizational unit within the institution" (Chart of Accounts, 1990). In addition to sponsored research, this category includes university supported research endeavors.

Revenue

A revenue is any addition to cash or other current assets which does not increase any liability or reserve and does not represent the recovery or reimbursement of an expenditure. Revenues are not available for current expenditure until appropriated or allocated.

Sponsored Programs

"Activities of the university that are financed through external funds that support various instructional, research, and public service functions of the institution." These arrangements make the university "a service provider to the client" (CUBA, 2000). Normally, these activities involve basic or applied research activities and have a contracted deliverable.

Student Financial Assistance

State program code to classify "monies given in the form of outright grants and trainee stipends to individuals enrolled in official courses, either for credit or not: (Chart of Accounts, 1990).

Student Services

A state program code including "expenses for activities whose primary purpose is to contribute to students' emotional and physical well-being and to their intellectual, cultural, and social development outside the context of formal instruction" (Chart of Accounts, 1990)

Surplus Property

University property that is excess to the needs of a department is considered surplus property. Disposal of surplus items is regulated by the Commonwealth and University Policy.

Unrelated Business Income Tax

This tax is assessed on the net profit of tax-exempt organizations for activities outside the mission.

University Division

Virginia Tech is comprised of two agencies. Agency 208 serves the Commonwealth of Virginia, the nation, and the international community by generating and disseminating knowledge through instruction, research, and outreach.

Unique Military Activities

State program classification for efforts to provide resources to support a continuing military program at institutions of higher education. At Virginia Tech, this is the Corps of Cadets.