Higher Education Function Codes  
Frequently Asked Questions

General

1. What is the Higher Education Function Code (HEFC) and how is it used?

   The HEFC identify the expenditure function category for the account. The function code categories are used to identify account information in the calculation of the indirect cost rate proposal, cost of education measures for Integrated Postsecondary Education Data System (IPEDs) reporting, Board of Regents and other management reporting.

   The HEFC is a required account attribute for each account established in the University's financial system (Kuali Financial System (KFS)).

2. What are the new HEFC?

   Please refer to New function codes and definitions for a list of the codes. The function codes are identified with a prefix of the following major categories:

   - A - Instruction
   - B - Research
   - C - Public Service
   - D - Academic Support
   - E - Student Services
   - F - Institutional Support
   - H - Financial Aid
   - J - Auxiliary Services
   - K - Operations and Maintenance
   - U - Capital Projects
   - Z - Not Applicable

   Within each major category, there are numeric codes, which further define the function for the account.

3. Why is there a change to these codes and when will it be effective?

   The purpose of the update is to simplify the coding to fewer categories so accounts can be coded more accurately, which will in turn allow for more accurate reporting and eliminate the need to manually adjust calculations and reports.
The new coding structure will become effective July 1, 2015. The KFS project team will be converting the codes on existing accounts during the fiscal year end process. The prior HEFC will be inactivated effective in fiscal year 2016, therefore, only the new codes will be available to be assigned for new accounts established in fiscal year 2016.

**Integrated Postsecondary Education Data System (IPEDs)**

1. For IPEDS purposes, does instructional faculty time need to be split between instruction/research/public service?

   For IPEDS reporting, staff can be instruction (exclusively credit, exclusively not for credit, combined for credit, combined credit/not for credit), instruction/research/public service, research and public service. The faculty should be placed in category where they spend most of their time.

2. Which HEFC should be used for Academic Advising?

   Use HEFC D100, Academic Support. Academic support includes expenses for formally organized and/or separately budgeted academic advising.

   Counseling and Career Guidance would be included under Student Support, E101.

3. What code should be used for scholarships for athletics?

   Use HEFC H100, Financial Aid

**Facilities and Administrative (F&A) Cost Proposal**

The accurate coding of the HEFC on all accounts is crucial for F&A cost proposal purposes as the F&A cost proposal requires a reconciliation of total system wide expenses for direct and indirect costs allocable to the various functions.

1. Which HEFC are used for sponsored project accounts direct costs?

   A106 (Sponsored Instruction and Training)
   B100 (Organized and Sponsored Research)
   C100 (Public Service)
   H100 (Student Financial Aid)

2. Why is the HEFC on non-sponsored project accounts important for the F&A cost proposal?
Facilities and Administrative costs are costs that cannot be identified to a specific project, program or activity but benefits the total institution. The cost proposal calculates the facilities and administrative costs and allocates these costs to the distribution bases. Therefore, it is important to be able to identify and allocate facilities costs (i.e. building and equipment depreciation, capital improvements, operations and maintenance, etc.) and administrative costs (general, departmental and sponsored projects administration costs).

3. For F&A purposes, does instructional faculty time need to be split between instruction/research/public service?

For F&A purposes, the primary concern is that only research activities that are separately budgeted and accounted for are included under Organized Research (B100). Generally, these are for activities funded through an extramural research grant or contract. The UH Hilo Seed Money Grants are also included with the B100 HEFC because it is separately budgeted and accounted for. All other research related functions should be coded to B101, Departmental Research.

A method has been established to record a minimum level of research effort for both instructional and research faculty that are identified as principal investigators for research projects but are not paid from or cost shared to the project account. Therefore, it is not required for faculty time to be split between instruction/research/public service for the F&A cost proposal.

4. How should accounts that fund cost sharing be coded?

The account should be coded with the HEFC that the account is normally used for. If the account is created specifically for cost share purposes, it is likely that the HEFC would be B101 (Departmental Research).

The method used to record cost sharing in KFS utilizes a cost share sub-account and requires a source account of the amount cost shared. This method allows for information necessary to record cost sharing adjustments for the F&A proposal.

If a faculty member is an instructional faculty and is charged to an account under an instruction code such as A100, but is used as cost share for a research project, it is not necessary to allocate that portion of the salary to an account that matches the project account’s HEFC. Because of the method used to record cost sharing, cost sharing information can be obtained for F&A cost proposal purposes from the KFS system.

5. What is the tolerance of distributing costs?
For F&A purposes, the main concern is that the HEFC for the account appropriately accounts for the actual expenditures recorded to the account and that multiple functions are not combined. For example, an account should generally not have administrative personnel and faculty members included within the same account.

As a general guideline, if the account has significant recurring costs for the fiscal year that supports different functions, it is recommended that separate accounts be established to properly categorize the functional expense, if practical.

6. How should Operations and Maintenance (O&M) costs recorded by the departments be handled?

To maximize the Facilities portion of the F&A cost rate, it is extremely important to identify all costs related to facilities operations and maintenance. Ideally, recurring department or school/unit paid O&M cost should be separately accounted for and coded under the HEFC major category K (O&M).

Although the O&M costs may be expected to directly benefit a general instruction mission, in general, it is better to systematically code the account by the function of the expense, therefore, it would be coded under O&M category.

6. How are unallowable costs for F&A cost proposal purposes handled?

For F&A purposes, unallowable costs must be specifically identified and excluded. Ideally, costs related to unallowable activities such as recurring costs for alumni activities, fundraising or outreach/public relations (PR) would be recorded in a separate account or identified through use of specific object codes.

7. What HEFC should be used for recharge centers?

Use HEFC J112 for all recharge center activities.

8. How should clinical trial accounts be coded?

Clinical trials that are classified as Phase I, II or III are normally funded by the Federal government and should be coded to Organized Research (B100).

Generally, clinical trials in Phase IV or V are non-federally funded and are usually for extramural projects funded by pharmaceutical companies preparing to get US Food and Drug Administration (FDA) approval. Phase IV and V are identified as Public Service (C100) if they are not federally funded.