

UNIVERSITY GUIDELINES 1982

AS AMENDED 1997, 2020 and 2023

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(As Amended 1997 2020 and 2023)

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I. INDIRECT COST REIMBURSEMENTS

- A. Indirect cost reimbursements shall be expended only pursuant to allocations of funds within the university's budget as formally adopted by the institution's governing board and pursuant to university policies. At the time of the initial allocation for any fiscal year, the university shall identify:
1. The total amount of indirect cost reimbursements which it then expects to receive during that fiscal year.
 2. Supplemental allocations of indirect cost reimbursements received after the adoption of the budget shall be allocated only in accordance with the regular procedures for amendments of university budgets.
- B. As indirect cost reimbursements are received, they shall be retained and expended in accordance with university policies.

II. TUITION, CHARGES AND FEES

All revenues derived from instructional activities of whatever nature are covered by this chapter. Such revenues must be categorized as either tuition, charges, or fees, and treated as provided for by this section.

A. Tuition.

1. **Deposit requirements:** Tuition received for not-for-credit (i.e., public service) courses shall be held as local funds in the accounting entity established pursuant to section III.C these Guidelines. However, tuition from not-for-credit courses in which content is directly connected to for-credit offerings may be deposited into the Income Fund (such as online courses which supplement for-credit course offerings). Unless otherwise provided by law, all tuition received from any and all credit-bearing course offerings shall go into the Income Fund, except monies may be deposited to the accounting entity established pursuant to Section III.C of these Guidelines when :
 - a) requested by and the course content of which is coordinated with a governmental unit, community organization or private business; and
 - b) where the full cost is paid by the requesting governmental unit, community organization or private business.
2. **Accounting requirements:** Monies retained pursuant to this section shall be accounted for in separate accounting entities for credit and not-for-credit courses. Income from all such courses may be pooled within these entities.
3. **Expenditure requirements:** Costs not associated with the course, conference or continuing education program operated pursuant to this section shall not be paid from

these entities.

B. Mandatory student fees.

All mandatory student fees shall be deposited into the Income Fund, except as provided under the statutory authority for fee supported buildings, other bond covenants, auxiliary enterprises and other activities. The term “mandatory” is defined as meaning imposed whether by statute or administrative action. Universities must maintain detailed accounting records on revenues associated with each mandatory fee and incorporate this financial information in the appropriate accounting entity in accordance with the provisions of these Guidelines..

C. University Income Fund

Universities shall report on the transactions of the locally held University Income Fund for the fiscal year. The report shall be sufficiently detailed to show all revenues by source of funds and expenditures by line item on a fiscal year basis. Additional reporting may be required as directed by the Legislative Audit Commission. The report shall be prepared annually and posted on the respective university’s website as unaudited information. The Income Fund shall be expended pursuant to university policies and the allocations of funds within the university’s budget as formally adopted by the institution’s governing board.

III. AUXILIARY ENTERPRISES, AUXILIARY ACTIVITIES AND ACCOUNTING ENTITIES

- A. **Auxiliary enterprises** are operations which are not directly related to instruction, research or service organizational units, but which support the overall objectives of the university. Examples include but are not limited to:

Food vending
Residence and dining facilities
Bookstores
Health Centers
Assembly halls

Student unions and centers
Busing operations
Parking operations
Laundries
Golf Courses
Recreation centers

- B. **Auxiliary Activities** are functions which are self-supporting in whole or in part which are directly related to instructional, research or service units. Examples include but are not limited to:

Student and/or staff medical and health programs
Student programs and services
Student newspapers
Athletics
Farms
Hospitals
Clinics (dental, veterinary medicine)
Airports
Presses
Home economics cafeterias
Store rooms
Service departments

- C. **Accounting entities.** Each institution shall establish and maintain accounting entities for the purpose of grouping auxiliary enterprises and auxiliary activities. Each entity shall consist of undertakings which are substantially similar and rationally related. All accounting entities shall be codified into an accounting manual.

D. **Subsidies.**

1. State appropriated funds subsidies for auxiliary enterprises are prohibited. However, State appropriated funds may be used to subsidize auxiliary enterprises if authorized by specific enabling legislation, or by a line item appropriation of funds specifically for the auxiliary enterprises entity.
2. State appropriations shall not be used to create or increase working capital or capital reserves of an auxiliary enterprise entity. This provision shall not apply if the General Assembly specifically appropriates funds to the enterprise or entity for the purpose of increasing such reserves.

IV. RESERVES

A. Establishment of reserves.

1. Reserves must be established pursuant to publicly available university policies.

B. Capital reserves

1. **Revenue bond entities.**

- a) **Indentured capital reserves:** Each entity in a revenue bond series shall have the capital reserves and reserve balances as required by the bond indenture. In cases in which the indenture imposes a minimum requirement and authorizes additional reserves subject to a maximum limitation, reserves and reserve balances may be retained in amounts not to exceed the maximum specified in the indenture.
- b) **Non-instructional facilities reserves:** The university's governing board may establish additional, identifiable reserves for the provision of additional non-instructional facilities, provided such facilities are for undertakings which are substantially similar and rationally related to the other functions of the entity. Each reserve shall be subject to the following limitations and requirements:

1. Each reserve shall be limited to the purpose for which it is created.
 2. The reserve shall be used only for improvement and expansion; it cannot be used for operational expenditures.
 3. The reserve may not be used for any purpose for which the revenue bond entity is permitted or required to maintain other reserves.
 4. The project or projects for which the reserves are created must adhere to university approval policies prior to the implementation of a development reserve.
 5. Any funds remaining in the reserve as of the date of the architect's or engineer's certificate of completion shall be paid back to the original funding source within 90 days. A project shall be deemed abandoned at such time as:
 - a) the governing board declares the project abandoned; or when
 - b) the governing board does not award a substantial construction contract within five years of the date on which the reserve received its first monies.
2. **Non-indentured reserves:** Capital reserves can be established for non-indentured funding sources and are permitted for equipment, extraordinary maintenance, software, development and other similar purposes.

V. REVENUE BONDS

A. Accounting requirements.

1. Accounting for revenue bonds must comply with all requirements of the bond indentures, including any reporting requirements. In addition, the accounting system must produce the reports and information required by these Guidelines.
2. Reserves as provided in Chapter IV of these Guidelines are allowed. It is recognized that a bond series may require the pledging of funds from one series to another as a means of providing additional security to the bondholder.

B. Compatibility with the Guidelines.

1. Bonds issued shall be in conformity with all Guideline requirements. This requirement applies to bonds issued to refinance bond issues outstanding as well as to new bond issues.

2. Bond indentures must be in conformance with bond revenue statutes. Where a bond indenture provides permissive authority in conflict with Guideline requirements, the Guidelines will prevail. Where an indenture imposes a mandatory duty in conflict with the Guidelines, the bond indenture will prevail.

3. Systems desiring to issue bonds or to refinance bonds with terms or covenants inconsistent with these Guidelines may request a waiver from specified requirements. The Legislative Audit Commission shall approve or deny the request for a waiver within 60 days after receipt. If no action is taken, the request shall be deemed to have been granted.

VI. UNIVERSITY-RELATED ORGANIZATIONS

This section outlines the relationships to be followed between universities and university-related organizations (URO's).

A. Definition.

University foundations, athletic associations, alumni associations and corporate outgrowths are "university-related organizations" (URO's).

B. Relationship to the university.

University-related organizations are subject to the Guidelines.

C. Relationship of university and URO.

The relationship of a university to a URO shall be specified by these Guidelines and contained in a written agreement between the university and each URO. Consideration for the agreement shall not exceed the cost of providing the services and shall not include an allowance for risk or profit.

D. Use of university name.

The university may, upon approval of the appropriate unit in the university, permit the URO to use the university's name or the initials of such name as part of the URO's name.

E. Use of university facilities.

The university may allow the URO to use university facilities, assets, services and resources, provided that such use is supported by consideration at rates charged other university users, if such charges are regularly made, or at the cost of furnishing such services if no internal charges are in existence. Cost may be established by reference to market rates charged by a university to external parties for such services.

F. Elimination of subsidies.

Each university shall not provide any direct or indirect subsidies of URO's from university or appropriated funds. This provision shall not apply to funds received by the university which are restricted for the benefit of the URO.

The term "subsidy" shall not be interpreted to include agreements, including lease agreements and licenses, for services as provided for in Sections C and I of this chapter, nor shall it be interpreted to include, subject to applicable laws and university policies, interest-bearing loans from the university to a URO which are negotiated at arms-length, with a stated repayment period.

The university budget processes or the agreement will expressly identify all support provided to the URO. Revenue accounts will be maintained to identify all payments received from the URO for repayment of funds advanced and as reimbursement or payment for the use of university assets, facilities or services. If the URO maintains separate financial records, companion entries will appear in these records as well.

G. Donated assets.

The following provisions apply to the receipt, retention and use of donated assets or the proceeds of assets donated to the URO.

1. URO's may receive, administer and use donated assets or the proceeds of donated assets, subject to restrictions, if any, imposed by donors.
2. URO's are permitted to retain all such donated funds.
3. Unless related to a loan described in the immediately preceding Section F above, any university funds advanced to a URO or receivables from a URO shall be repaid to the source from which obtained within one year of the date of the transaction.
4. The university accounting processes must identify expressly all support provided to the URO. Accounts must be maintained to identify all payments received from the URO for repayment of funds advanced and as reimbursement for the use of university assets, facilities or services. If the URO maintains separate financial records, companion entries will, of course, appear in these records as well.

H. Creation of debt.

Any university debt incurred under an agreement with a URO may be created only as authorized by applicable laws, including but not limited to, debt under Article IX, Section 9 of the Constitution of the State of Illinois.

I. Transactions between the university and URO's.

1. General rules.

- a) The university may enter into an agreement for a transaction with a URO to purchase, lease, improve or develop real property for the university's use and benefit as permitted under Illinois law.
- b) Subject to applicable law, the university may enter into agreements and conduct transactions with a URO, in which the URO may purchase, improve, develop, or redevelop (if necessary), real estate, and enter into a long-term lease of the real estate with the university for needed university facilities.
- c) In addition to the transactions described in the immediately preceding section (b) above, the university may lease property from a URO to provide space and facilities for the university's use. In no event shall the rental rate be greater than what is currently considered market rate for the greater geographic area in which the university is located.
- d) Subject to applicable law, the university may purchase real property from a URO. The purchase price shall not exceed the appraised fair market value of the property. The consideration for such purchases may include the exchange of land and facilities of a similar value. The university may not purchase from the URO any property which the URO received by donation, unless set forth in the terms of the donation agreement, to which the university shall consent.

2. Personal property.

Universities are required to adhere to the Illinois Procurement Code in the acquisition of personal property. Any personal property purchased by the university from the URO must have been acquired by the URO in accordance with the Illinois Procurement Code. Otherwise, the university must adhere to the competitive procurement requirements of the Act in making the purchase.

3. Services performed by URO's.

- a) A university may contract with a URO for the provision of services by the URO. Consideration shall not exceed the cost of providing the services and shall not include an allowance for risk or profit.
- b) The URO shall maintain sufficient records, including cost allocation detail, time records, and records of supplies and materials consumed, to enable a post audit review of the contract by the Auditor General.
- c)

VII. INDEPENDENT ORGANIZATIONS

A. Definition.

Alumni associations, athletic associations, foundations or corporate outgrowths which do not agree to conduct their operations as a "university-related organization" subject to Chapter VI of these Guidelines are "independent organizations" for purposes of these Guidelines.

B. Status.

Independent organizations will not be considered administrative units of the university.

C. Standards of university conduct.

This section sets forth the minimum standards to be upheld by the university in transactions and relationships with independent organizations.

1. The university shall not permit an independent organization to occupy university facilities or property, except for casual rental of facilities or property regularly made available to the general public.
2. The university shall not permit an independent organization to use any university asset, university credit, goodwill, or the name of the university, except as may be licensed by statute by the General Assembly. Specifically, an independent organization may not use the name "XXX University Foundation."
3. There shall be no subsidies, grants or other contractual interplay between the university and an independent organization, with the exception of contracts for goods and services meeting the following conditions.
 - a) The contract must represent a bona fide arm's length transaction.
 - b) At least three qualified, responsive bidders must respond to the bid invitation or request for proposal.
 - c) All competitive procurement provisions of the Illinois Procurement Code must be adhered to, regardless of whether the service or goods being procured would otherwise be exempt from competitive bidding under the act.
4. A university shall not employ or appoint an independent organization to act as an agent for the university in any transaction.
5. The university shall not transfer any funds to an independent organization except as provided in item 3 of this section. Funds donated to the university shall not be transferred to an independent organization.
6. The university shall not urge, suggest or recommend contributions to an independent organization. The university may make such recommendations with regard to university-related organizations (URO's).
7. No officer or employee of the university shall serve concurrently as an officer, trustee, employee or director of an independent organization.

8. Prior to establishing a status as an independent organization, all prior subsidies, in-kind grants, and payments of whatever kind must be repaid to the university.
9. Any URO or independent organization created by distribution of the assets of any other URO or independent organization shall be deemed to have the same status as the creating/distributing URO or organization until such time as it fails to meet the criteria established by these Guidelines.
10. The university shall not grant an independent organization use or benefit of the university's tax exempt status under either State or federal laws.

VIII. INVESTMENT INCOME

Net investment income received in any fiscal year by a university which is not allocated to the source of funds generating the investable cash or used for the cost of managing the investment program is to be deposited into the appropriate University Income Fund.

IX. STATUTORY COMPLIANCE

In the event any guideline set forth above, when applied by a university or its governing board, or a URO, is inconsistent with the laws of the United States or the State of Illinois, then the university or its governing board, or a URO, shall be excused from complying with the terms of these Guidelines and shall be required to comply with such laws.

X. ADDITIONAL PROVISIONS

- A. These Guidelines shall become effective upon their adoption by the Legislative Audit Commission (LAC).
- B. The universities shall achieve compliance with these Guidelines within one year of the adoption date by the LAC.