

SECTION 84 -- CHARACTER CLASSIFICATION (MAX SCHEDULE C)

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Summary of Changes

Requires agencies to report direct and indirect costs (budget authority only) related to research and development performed by colleges and universities (section 84.4).

Requires agencies to report on how research funds are allocated (section 84.4).

Updates definitions of the National Science and Technology Council crosscuts (section 84.4).

Drops the technology transfer reporting requirement.

84.1 General.

We use character classification to distinguish between investment and non-investment activities. Investments finance activities that yield benefits largely in the future. We also use character classification to report data on grants to State and local governments separately from direct Federal programs. Character class categories include the following:

- Investment activities:
 - < Lines 13xx, physical assets.
 - < Lines 14xx, research and development (R&D).
 - < Lines 15xx, education and training.
- Non-investment activities:
 - < Lines 2xxx

The classification system also includes additional information on R&D (e.g., R&D performed by colleges and universities, the allocation of R&D funds, R&D crosscuts) that is used by OMB and others in the review of agency budget requests, Government-wide resource allocation, and R&D budget presentations. See exhibit 84A for a summary of character classification codes.

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Section 84.4 provides detailed information on all of the categories used for character classification. As a general rule, you must report budget authority and outlays by character class for PY through BY for all appropriation and fund accounts, except credit financing accounts, in MAX schedule C. However, you only need to report budget authority for research and development performed by colleges and universities. You must also report offsetting receipts for PY through BY by character class in MAX schedules K and R (see section 81.4). MAX will automatically generate outyear projections (see section 84.3).

OMB controls the character classification of offsetting receipts centrally, and you must ask OMB to change the classification (see section 79.1) before you can enter data under a different code. OMB does not control the character classification of expenditure accounts. If the nature of an account changes and requires the use of different classes, you may enter budget authority and outlays in MAX under the appropriate character class without advance approval from OMB.

Character class categories are identified by a 4-digit number that identifies data as investment or non-investment and as grants or direct Federal programs. In addition, a 2-digit suffix is used to differentiate between BA, outlays, and offsetting receipts (see section 84.4).

84.2 Definitions.

(a) State or local governments:

For preparing character classification data, State or local governments includes the following:

- The 50 States and the District of Columbia.
- Cities, counties, townships, school districts, special districts, and other local governmental units, as defined by the Bureau of the Census.
- Puerto Rico, the Virgin Islands, and other U.S. territories.
- The Federated States of Micronesia, Marshall Islands, and Palau, if the payments are a relatively small part of the accounts that have grants to State or local governments.
- Indian tribal governments when:
 - < The legislation authorizing the payment includes such entities within the definition of eligible State or local units.
 - < The tribal government acts as a nonprofit agency operating under State or local auspices.
- Quasi-public nonprofit entities, such as community action agencies, when the boards of such entities must either be elected in State or local elections, or must include significant representation of State or locally-elected officials.

(b) *Grants to State and local governments.*

Report budget authority and outlays as grants to State and local governments if the Federal government's resources support State or local programs of government operations or provision of services to the public. For reporting character classification data, grants include the following:

- Direct cash grants to State or local governmental units, to other public bodies established under State or local law, or to their designee.
- Payments for grants-in-kind, such as purchases of commodities distributed to State or local governmental institutions, for example, school lunch programs.
- Payments to nongovernmental entities when such payments result in cash or in-kind services or products that are passed on to State or local governments, for example, payments to the Corporation for Public Broadcasting, or to the American Printing House for the Blind.
- Payments to regional commissions and organizations that are redistributed at the State or local level to provide public services.
- Payments to State and local governments for research and development that is an integral part of the State and local governments' provision of services to the general public (e.g., research on crime control financed from law enforcement assistance grants, or on mental health associated with the provision of mental rehabilitation services; see discussion below for exclusions related to research and development and payments for services rendered).
- Direct loan or loan guarantee subsidies to State or local governments.
- Shared revenues. These payments to State or local governments are computed as a percentage of the proceeds from the sale of certain Federal property, products, or services (e.g., payments from receipts of Oregon and California grant lands). Also included are tax or other collections by the Federal Government that are passed on to State or local governments (e.g., internal revenue collections for Puerto Rico).

Exclude the following:

- Federal administrative expenses associated with grant programs.
- Grants directly to profit-making institutions, individuals, and non-profit institutions not covered above, for example, payments to Job Corps centers and trainees.
- Payments for research and development not directly related to the provision of services to the general public, for example, basic research awarded via competitive grants.

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- Payments for services rendered, for example, utility services, training programs and expenses for Federal employees, research and development for Federal purposes conducted under contracts, grants, or agreements by such agencies as the National Institutes of Health, the National Science Foundation, the Department of Energy, the National Aeronautics and Space Administration, and the Department of Defense.
- Federal grants to cover administrative expenses for regional bodies and other funds not redistributed to the States or their subordinate jurisdictions, for example, the administrative expenses of the Appalachian Regional Commission.

(c) *Direct Federal programs.*

Federal programs that are not classified as grants to State and local governments will be classified as direct Federal programs.

84.3 Reporting the data and relationships with other data requirements.

(a) *Budget authority and outlays.*

When you report on character class for appropriation and fund accounts:

- Report budget authority and outlay data by subfunction for PY-BY in MAX schedule C. (MAX will generate outyear projections, which you may override.)
- Report grant character class data by BEA subcategory (see section 81.3).
- Report non-grant data on a net basis; report grants on a gross basis. (See the instructions below for the treatment of offsetting collections.)
- Do not report character class for credit financing accounts.

As a general rule, if a transaction fits into more than one classification, report it in the classification category with the lowest numerical character classification code. For example, record amounts for construction of research and development facilities in the appropriate 13xx grouping, not in the 14xx grouping. (For treatment of memorandum entries, see section 84.3(c) and exhibit 84A.)

Where accounts are split between two or more character classifications, omit a classification involving less than \$1 million in each of the three fiscal years, and include the amounts in some larger classification for that particular account.

In some cases, grants to State and local governments allow the recipient jurisdiction the option of using funds for current or investment-type purposes, such as in community development block programs. In such instances, record all of the budget authority and outlays for grants in the category where the majority of the funds is anticipated to be used.

Apply offsetting collections credited to appropriation and fund accounts as offsets to the gross budget authority and outlays that the collections finance. For example:

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- Offset collections resulting from the sale of commodities against gross budget authority and outlays for the purchase of commodities in character classes 1330-01 and 1330-02, respectively.
- Offset fees collected to cover operating expenses against gross budget authority and outlays for operating expenses in character classes 2004-01 and 2004-02, respectively.
- In credit liquidation accounts, offset loan repayments against gross budget authority and outlays for loan programs in character classes 2004-01 and 2004-02, respectively.

Budget authority and outlays from grants should include grants financed by offsetting collections. Offsetting collections credited to an account that finance grants will be reported as negative budget authority and outlays in character class 2004-01 and 2004-02, respectively. Actual outlays for past year grants and shared revenue must be consistent with the respective amounts reported to the Department of Commerce, Bureau of the Census, pursuant to the instructions on the “Federal Aid to States” publication.

(b) *Receipts.*

Report character class information for offsetting collections deposited in receipt accounts in MAX schedules K (baseline) and R (policy) using the instructions in section 81.4 (e).

(c) *Additional data on research and development.*

Schedule C contains memorandum entries on lines 1441-01 through 1464-xx that supplement, and are a subset of, R&D data reported on lines 1311-xx through 1432-xx. These entries are used to collect the following R&D information:

- Direct and indirect costs associated with R&D performed by colleges and universities.
- Allocation of research funds (congressional direction, agency discretion, merit-reviewed with peer evaluation and competitive selection).
- Crosscutting R&D data for specific areas identified by the National Science and Technology Council (NSTC).

(d) *Relationships with other data requirements.*

For each account, the totals for character class data in MAX schedule C (excluding the memorandum (non-add) entries) must correspond to the total net budget authority and outlays reported in MAX schedule A for PY through BY+4.

(e) *Outyear projections of character class data.*

MAX will automatically generate outyear projections of character class data (except memorandum entries) based on in-year data. For grants to State and local governments, outyear projections will be generated through BY+9; and, for direct Federal programs, outyear projections will be generated through BY+4.

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Using an algorithm, MAX will assume that the percentage of net budget authority and outlays estimated for a character class for outyears is the same as that reported in the BY. For example, if 18 percent of net budget authority in the account is in character code 1511-01 (grants for education and training) in BY, then 18 percent of net budget authority will be estimated in character code 1511-01 for each outyear. Agencies may view these outyear projections on-screen. If projections do not accurately reflect outyear policy, you may override the calculated amounts by entering the correct amounts (not percentages) directly into MAX.

For revolving-type funds (e.g., the Federal buildings fund and the General supply fund in GSA, the Postal Service, TVA, Bonneville, and mass transit formula grants) where the net totals are often close to zero or are negative, the automatic projection will generate unrealistic estimates and will need to be overridden.

Character class totals for the outyears must correspond to total net budget authority and outlays for those years.

84.4 Character classification in MAX.

Character class data in MAX schedules C, K, and R are identified by a line number that consists of a four-digit number and a two-digit suffix (XXXX-XX).

The four-digit number identifies data as investment or noninvestment, and as grants or direct Federal programs.

Classify all investment activities in the 1xxx series and all noninvestment activities in the 2xxx series. For credit program accounts, classify subsidies for direct loans and loan guarantees, and their administrative expenses, according to the purpose of the program. For example, credit subsidies for construction should be in the character class for construction and rehabilitation, and credit subsidies for the conduct of education should be in the character class for the conduct of education and training.

The two-digit suffix differentiates between budget authority, outlays, and offsetting receipts, as follows:

- 01 – Budget authority.
- 02 – Outlays.
- 03 – Offsetting receipts.

Ensure that data are reported in the correct categories. For example, report data on R&D activities using the appropriate R&D character class entries (see exhibit 84B and the listing of R&D memorandum entries below). Report data on activities other than R&D in non-R&D character classes. Only some of the following codes apply to offsetting receipts; they are specifically noted below with an asterisk (*). All of the codes except 1441 and 1442 apply to budget authority and outlays. The following table provides the codes used to identify character class data; exhibit 84A provides a summary of the coding structure.

CHARACTER CLASSIFICATION CODES

	Entry	Description
1xxx	INVESTMENT ACTIVITIES	Budget authority, outlays, or offsetting receipts for programs that yield benefits largely in the future.
13xx	Physical assets:	Amounts for the purchase, construction, or rehabilitation of physical assets regardless of whether the assets are owned or operated by the Federal Government, States, municipalities, or private individuals. These include (but are not limited to) those kinds of assets that would normally be shown in the balance sheet of a private business enterprise.
131x	<i>Construction and rehabilitation:</i>	Amounts for construction and rehabilitation, including both grants and direct Federal programs. Construction and rehabilitation means the design and production of fixed works and structures or substantial alterations to such structures or land. Includes new works and major additions, alterations, improvements to and replacements of existing works. Excludes preliminary surveys, maintenance, repair, administration of such facilities and other Federal operating expenses.
	Research and development facilities:	Amounts for the construction and rehabilitation of research and development facilities (see category 14xx for the definition of research and development). Includes the acquisition, design, and construction of, or major repairs or alterations to all physical facilities for use in R&D activities. Facilities include land, buildings, and fixed capital equipment, regardless of whether the facilities are to be used by the Government or by a private organization, and regardless of where title to the property may rest. Includes such fixed facilities as reactors, wind tunnels, and particle accelerators. Excludes movable R&D equipment, which is classified as 132x-xx.
1311-xx	Grants to State and local governments	
1312-xx	Direct Federal programs	
	Other construction and rehabilitation:	Amounts for all other construction and rehabilitation.
1313-xx	Grants to State and local governments	
1314-xx	Direct Federal programs	
132x	<i>Major equipment:</i>	Amounts for identifiable items of major equipment, including information technology (see section 53), vehicles, ships, machine tools, aircraft, tanks, and nuclear weapons. Excludes routine purchases of ordinary office equipment or furniture and fixtures. However, where there are major programs for acquisition of equipment, includes all equipment purchases.

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Entry	Description
<p>Research and development equipment:</p> <p>1321-xx Grants to State and local governments 1322-xx Direct Federal programs</p>	<p>Amounts for major equipment for research and development. (See category 14xx for the definition of research and development.) Includes expendable or movable equipment, for example, spectrometers and microscopes and office furniture and equipment.</p>
<p>Other major equipment:</p> <p>1323-xx Grants to State and local governments 1324-xx Direct Federal programs</p>	<p>Amounts for all other major equipment.</p>
<p>133x Commodity inventories:</p> <p>1330-xx* Direct Federal programs</p> <p>Proceeds from the sale of commodities</p>	<p>Amounts for federally-owned commodities held for resale or in stockpiles.</p> <p>Offsetting receipts collected from the sale of federally-owned commodities that were previously purchased by the government or from reduction in stockpiles.</p>
<p><i>Purchases and sales of land and structures for Federal use:</i></p> <p>1340-xx* Direct Federal programs</p> <p>Receipts from sales of property or assets</p>	<p>Amounts for purchase, including lease-purchases, of land and structures for use by the Federal Government and sales of such land and structures. Includes office buildings and park and forest lands. Does not include land or structures acquired as temporary inventory, such as collateral on defaulted loans.</p> <p>Offsetting receipts collected from sales of federally-owned property or assets used by the Federal Government. Includes office buildings and park and forest lands.</p>
<p><i>Other physical assets:</i></p> <p>1351-xx Grants to State and local governments 1352-xx* Direct Federal programs</p> <p>Receipts from sales of other physical assets</p>	<p>Amounts for all other physical assets, such as conservation, reforestation and range improvements; grants to State or local governments for the purchase of land or structures; and amounts for privately-held assets, including improvements to private farms, land and structures acquired as collateral on defaulted loans, and sales of such land and structures. Does not include operation and maintenance of land and structures.</p> <p>Offsetting receipts collected from the sale of physical assets not used by the Federal Government. Includes sales of assets obtained by the Federal Government as collateral on defaulted loans.</p>
<p>14xx Conduct of research and development (R&D):</p>	<p>Amounts for research and development, including administrative expenses for R&D. Excludes R&D facilities and equipment investments, which are classified under 13xx.</p>

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Entry	Description
	<p>Definitions of basic and applied research, and development are provided below. This definition of research and development is the same as that used for the National Science Foundation Annual Survey of Federal Funds for Research, Development, and Other Scientific Activities. Information reported under this section should be reconcilable with the more detailed information subsequently reported in the annual survey.</p> <p>Excludes routine product testing, quality control, mapping, collection of general-purpose statistics, experimental production, routine monitoring and evaluation of an operational program, and the training of scientific and technical personnel.</p>
<p><i>Basic research:</i></p> <p>1411-xx Grants to State and local governments 1412-xx Direct Federal programs</p>	<p>Basic research is defined as systematic study directed toward greater knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications towards processes or products in mind.</p>
<p><i>Applied research:</i></p> <p>1421-xx Grants to State and local governments 1422-xx Direct Federal programs</p>	<p>Applied research is defined as systematic study to gain knowledge or understanding necessary to determine the means by which a recognized and specific need may be met.</p>
<p><i>Development:</i></p> <p>1431-xx Grants to State and local governments 1432-xx Direct Federal programs</p>	<p>Development is defined as systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements.</p>
Memorandum R&D entries	
<p><i>R&D performed by colleges and universities:</i></p> <p>1441-01 Direct costs</p>	<p>Budget authority for R&D performed by institutions engaged primarily in providing instruction for at least a 2-year program above the secondary school level. Includes colleges of liberal arts; schools of arts and sciences; professional schools (such as engineering and medicine); affiliated hospitals and associated institutes; and agricultural experimental stations. Does not include federally-funded R&D centers administered by universities.</p> <p>Direct costs are those costs that can be identified specifically with a particular sponsored project, an instructional activity, or any other institutional activity or that can be directly assigned to such activities relatively easily with a high degree of accuracy.</p>

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Entry	Description
1442-01 Indirect costs	Indirect costs are classified as "administration" or "facilities" costs that are incurred for common or joint objectives, and therefore, cannot be identified with a particular sponsored project. Facilities costs are defined as depreciation and use allowances, interest on debt associated with a certain building, equipment and capital improvements, and operations and maintenance. Administration costs are defined as general administration. See OMB Circular No. A-21 "Cost Principles for Educational Institutions" for further definition and guidance on indirect costs.
<i>Allocation of research funds:</i>	<p>The total allocation of research funds reported on lines 1451-xx through 1453-xx must equal the total amount reported for the conduct of basic and applied research on lines 1411-xx through 1422-xx. Excludes amounts spent on development.</p> <p>Use these definitions for allocating research funds to the categories listed below:</p> <ul style="list-style-type: none"> • <i>Peer evaluation</i> means merit-reviewed by appropriately qualified scientists, engineers, or other technically-qualified individuals who are apart from the people or groups making the award decisions. • <i>Competitive selection</i> means applicants not prohibited from applying by highly restrictive criteria (e.g., by geography, by title, by affiliation with particular institutions, by past associations, by capabilities in unrelated or programmatically non-essential aspects other than long-standing statute or regulation).
1451-xx Scientific research performed at congressional direction	Intramural and extramural research programs where funded activities are awarded to a single performer or collection of performers without competitive selection, but which may be merit-reviewed, based on direction from Congress in law, in report language, or by other direction.
1452-xx Scientific research at agency discretion	Intramural and extramural research programs proposed by the agency based on discretion, long-standing statute, or regulation, which may be peer-evaluated or competitively selected, but not both. Examples of such programs include, but are not limited to, sole source awards and highly-restrictive competitive programs.

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Entry	Description
1453-xx Merit-reviewed scientific research with peer evaluation and competitive selection	Intramural and extramural research programs where funded activities are chosen from a pool of qualified applicants following review by a set of scientific or technical peers for merit.
<i>Conduct of National Science and Technology Council (NSTC) crosscuts</i>	
1461-xx Climate change technology initiative	<p>Research, development and deployment, and technologies related to energy efficiency, renewable energy, and carbon reduction/sequestration, including more efficient technologies in buildings, industrial processes, vehicles, and power generation.</p> <p>Examples include energy-efficient technologies for commercial buildings and homes, including the Partnership for Advancing Technology in Housing (PATH); stronger labeling and efficiency requirements for appliances and office equipment; the deployment of new technologies in the industrial sector to capture waste heat and convert it into electricity; advanced automobile and truck technologies; research and incentives for renewable energy sources, such as wind, biomass, photovoltaics, and fuel cells. Also includes direct support of fundamental research, and R&D on physical or biological sequestration of CO₂.</p>
1462-xx Partnership for a new generation of vehicles	<p>Research designed to:</p> <ul style="list-style-type: none"> • Develop advanced manufacturing techniques that make it easier to get new automobiles and auto components into the marketplace quickly. • Use new technologies for near-term improvements in auto efficiency, safety, and emissions. • Lead to production prototypes of vehicles three times more fuel efficient than today's cars, with no sacrifice in comfort, performance, or price, including exploration in such advanced technologies as fuel cells, advanced clean diesel engine, hybrid drivetrains, and energy storage systems.
1463-xx U.S. global change research program	<p>Research focused on:</p> <ul style="list-style-type: none"> • Observing and documenting global environmental changes and identifying their causes. • Predicting the responses of the Earth system. • Determining the ecological, human health, and socioeconomic consequences of these changes.

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Entry	Description
	<ul style="list-style-type: none"> Identifying strategies for adaption and mitigation that will most benefit society and the environment. <p>P.L. 101-606 requires this program crosscut.</p>
<p>1464-xx High-performance computing and communications and information technology</p>	<p><i>Large scale networking:</i></p> <ul style="list-style-type: none"> Research and technology development in high performance network components. Technologies that enable wireless, optical, mobile, and wireline communications. Large-scale network services, engineering, and management. Deeply networked systems. Simulation and modeling. Systems software and program development environments for network-centric computing. Next Generation Internet initiative activities. <p><i>High-end computing:</i></p> <ul style="list-style-type: none"> Research and technology development to improve the usability and effectiveness of teraflops-scale systems. Leading-edge research for future generations of computing, such as petascale computers and exabyte storage systems including current and advanced device technologies and subsystem components and innovative advanced architectures. Prototype demonstration systems. <p><i>High-end computation and infrastructure:</i></p> <ul style="list-style-type: none"> Development of applications requiring large scale computation-intensive and/or information-intensive operations. Development of mathematical algorithms and programming environments, and tools for collaboration, visualization, and data management. Research facilities built on large scale test systems and on large scale, high performance computational grids and networks. <p><i>High confidence systems:</i></p> <ul style="list-style-type: none"> Research and development to achieve security, survivability, availability, reliability, and safety of systems that rely on information technology. Assurance of information-centric systems through research in theoretical foundations, development of tools and techniques (with linkages to domain-

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Entry	Description
	<p>specific languages), engineering and experimentation, and demonstrations and pilots.</p> <p><i>Human computer interface and information management:</i></p> <ul style="list-style-type: none"> • Research and technology development in human sensory-motor systems, perception, attention, pattern recognition, and decision-making to improve the interaction of people and machines. • Management, exploitation, and visualization of information and knowledge, including large knowledge repositories. • Multilingual document translation and understanding. • Collaboratories. • Digital libraries. <p><i>Software design and productivity:</i></p> <ul style="list-style-type: none"> • Research and technology development in software design and implementation. • End-user programming, including intelligent templates and domain-specific languages. • Component-based software. • Active software. • Autonomous software. <p><i>Social, economic, and workforce implications of IT and IT workforce development:</i></p> <ul style="list-style-type: none"> • Research in social, economic, and workforce effects of information technology. • Development of model curricula and course materials to promote IT literacy. • Graduate and postdoctoral programs to increase the number of IT professionals.
<p>15xx Conduct of education and training:</p> <p>1511-xx Grants to State and local governments 1512-xx Direct Federal programs</p> <p align="center">Receipts from education and training</p>	<p>Amounts for programs whose primary purpose is education, training, and vocational rehabilitation. Includes veterans' education and training; operating assistance for elementary, secondary, vocational, adult, and higher education; and agricultural extension services; income support activities directly contingent upon participating in such programs. Excludes training of military personnel or other persons in government service.</p> <p>Offsetting receipts for loan repayments, negative subsidies, and downward reestimates of loan subsidies that are associated with the conduct of education and training.</p>

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Entry	Description
2XXX NON-INVESTMENT ACTIVITIES	Amounts that are not classified as investment activities.
Grants to State and local governments: 2001-xx Other than shared revenues 2003-xx Shared revenues	Grant amounts that are not classified as investment activities.
2004-xx* Direct Federal programs	Amounts for all other non-investment activities.
All other offsetting receipts	Offsetting receipts collected and deposited in receipt accounts that are not otherwise classified.

Summary of Character Classification Codes (MAX Schedule C)

Code	Description
INVESTMENT ACTIVITIES	
Physical assets:	
	Construction and rehabilitation:
1311-xx	Research and development facilities: Grants
1312-xx	Research and development facilities: Direct Federal programs
1313-xx	Other construction and rehabilitation: Grants
1314-xx	Other construction and rehabilitation: Direct Federal programs
Major equipment:	
1321-xx	Research and development equipment: Grants
1322-xx	Research and development equipment: Direct Federal programs
1323-xx	Other major equipment: Grants
1324-xx	Other major equipment: Direct Federal programs
1330-xx	Commodity inventories: Direct Federal programs
1340-xx	Purchases and sales of land and structures for Federal use: Direct Federal programs
1351-xx	Other physical assets: Grants
1352-xx	Other physical assets: Direct Federal programs
Conduct of research and development:	
1411-xx	Basic research: Grants
1412-xx	Basic research: Direct Federal programs
1421-xx	Applied research: Grants
1422-xx	Applied research: Direct Federal programs
1431-xx	Development: Grants
1432-xx	Development: Direct Federal programs
<i>Memorandum (non-add) R&D entries</i>	
1441-01	R&D performed by colleges and universities Direct costs
1442-01	Indirect costs
Allocation of R&D funds:	
1451-xx	Scientific research performed at congressional direction
1452-xx	Scientific research at agency discretion
1453-xx	Merit-reviewed scientific research with peer evaluation and competitive selection
Crosscuts:	
1461-xx	Climate change technology initiative
1462-xx	Partnership for a new generation of vehicles
1463-xx	U.S. global change research program
1464-xx	High-performance computing and communications and information technology
Conduct of education and training:	
1511-xx	Grants
1512-xx	Direct Federal programs
NON INVESTMENT ACTIVITIES	
2001-xx	Grants-other than shared revenues
2003-xx	Grants-shared revenues
2004-xx	Direct Federal programs

Totals for budget authority and outlays reported on lines 1311-xx through 1432-xx, and 1511-xx through 2004-xx must correspond to net budget authority and outlay totals reported in schedule A (e.g., schedule C total outlays must equal schedule A gross outlays minus offsetting collections (cash)).

R&D requirements are included in the character classification.

Memorandum (non-add) entries for Federal programs are a subset of data reported on lines 1311-xx through 1432-xx.

Research and Development Character Classification Codes (MAX Schedule C)

The character classification includes the following ten categories that are used to report research and development activities. In addition, memorandum (non-add) entries are used to report on R&D performed by universities, the allocation of R&D funds, and R&D crosscuts, (See exhibit 84A for a listing of these entries.)

Code	Description
	Physical assets:
	Construction and rehabilitation:
1311-xx	Research and development facilities: Grants
1312-xx	Research and development facilities: Direct Federal programs
	Major equipment:
1321-xx	Research and development equipment: Grants
1322-xx	Research and development equipment: Direct Federal programs
	Conduct of research and development:
1411-xx	Basic research: Grants
1412-xx	Basic research: Direct Federal programs
1421-xx	Applied research: Grants
1422-xx	Applied research: Direct Federal programs
1431-xx	Development: Grants
1432-xx	Development: Direct Federal programs

Character class categories for activities other than R&D are listed in Exhibit 84A.