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ARIZONA ATTORNEY GENERAL

March 2, 1955
Letter Opinion
No. 55-38

Mr. Henry F. Lesem, Administrator
Arizona State Tuberculosis Sanatorium
Tempe, Arizona

Re: May the Arizona State Tuberculosis
Sanatorium charge the replacement of
capital equipment to current expen-
ditures?

Dear Mr. Lesem:

In answer to your letter of February 17, 1955, wherein you requested an opinion of this office in regard to the above-stated question, we refer you to Sections 10-902 and 10-924, A.C.A., 1939, as amended. Section 10-902, entitled "Definitions" in part reads as follows:

"10-902. Definitions.--

* * * * *

'Capital outlay' means the expenditures which result in the acquisition of fixed properties such as land, buildings, equipment, development or permanent improvements to land or construction of buildings or highways and bridges.

'Current expenses' means those expenditures that are authorized for carrying on the current activities of the state, other than fixed charges, and which do not result in the acquisition of capital assets or permanent improvement."

* * * * *

Section 10-924, entitled "Objects and Purpose of Appropriations Classified and Standardized" and appearing under the subsection of the Budget and Finances Act entitled "Accounting, Auditing and Reporting", reads as follows:

"10-924. Objects and purpose of appropriations classified and standardized.--
For the purpose of accounting, budgeting,

allotting and reporting, all expenditures authorized by either the general appropriation act or by any separate or special act, shall be classed as one or more of the following general classes: 1. 'Current expenditures,' 2. 'Fixed charges,' 3. 'Capital outlay,' and, 4. 'Redemption of debt.' Expenditures under these general classes shall be subdivided by the state auditor in accordance with the objects and character of the expenditures and in such manner that the true and actual cost of each object will reflect perpetually on his books.

'Current expenditures' shall be subdivided into: (a) personal services; (b) contractual services, including communication and travel; (c) supplies, materials and parts, and (d) current charges.

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'Capital outlay' shall be subdivided into: (a) equipment; (b) buildings and improvements; (c) land; (d) live stock, and (e) highways and bridges.

* * * * *

When, in any act authorizing the expenditure of public money, the object or purpose is stated in such terms as 'salaries and wages,' 'operations,' 'travel,' 'capital investment,' or 'repairs and replacements,' such terms shall import their respective popular and ordinary meaning and the appropriation so authorized shall be allotted on the records of the auditor to the corresponding objects as classified and standardized in this section or to such further subclassification as the auditor may adopt, provided that the actual purpose shall not be defeated."

With reference to the above quoted portions of the applicable statutes, it is, therefore, the opinion of this office that a replacement of an electric ice machine to be used by the Arizona State Tuberculosis Sanatorium would be a "capital outlay" and could not be charged to the current expenditures under the terms of the aforementioned statutes. A replacement of an item is the

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same as a purchase of new equipment and in its popular and ordinary meaning, must be labeled as a capital investment. By the terms of the above mentioned statutes, current expenditures could only be those expenditures which would be necessary to the every day operation of an agency of the state.

If this office can be of any further assistance to you in this or any other matter, please feel free to call upon us at any time.

Yours very truly,

ROBERT MORRISON
The Attorney General

NORMAN E. GREEN
Assistant To The
Attorney General

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