



Attorney General
STATE CAPITOL
Phoenix, Arizona 85007

Robert E. Corbin

June 14, 1979

LAW LIBRARY ARIZONA ATTORNEY GENERAL

Mr. Douglas R. Norton
Auditor General
Suite 600
112 North Central Avenue
Phoenix, Arizona 85004

Re: I79-158 (R79-033)

Dear Mr. Norton:

We are writing in response to the questions submitted to this office on January 29, 1979, and supplemented on March 1, 1979. These questions may be summarized as follows:

1. Does the Auditor General have the authority to designate a budget item as a capital outlay or transportation expenditure under A.R.S. § 15-1201?

A. May an administrative vehicle, not intended for pupil transportation, be purchased from capital outlay, rather than transportation funds?

B. May library books be purchased from funds budgeted for capital outlay?

2. May the Auditor General establish a minimum dollar amount (e.g., \$100.00) as a prerequisite for treatment of an item as a capital outlay expenditure?

3. Who has the authority to determine what is "specialized electronic, audio-visual and computer equipment" for purposes of A.R.S. § 15-445.B.3?

Before discussing the questions individually, our general conclusion is that the Auditor General is not authorized to characterize items as capital outlay expenditures outside of the limits established by the Legislature.

1. Among the enumerated powers and duties of the Auditor General relating to school districts under A.R.S. § 41-1279.21 is the responsibility to "[o]rder and enforce a correct and uniform system of bookkeeping by . . . school districts." (Subsection 2, emphasis added.) More specifically, the Auditor General and the State Superintendent of Public Instruction are commanded to "prepare and prescribe a budget format to be utilized by all school districts" (emphasis added) pursuant to A.R.S. § 15-1201.A. The structure of the budget format is specified in A.R.S. § 15-1201, relevant portions of which are as follows:

B. The budget format shall be designed to allow all school districts to plan and provide in detail for the use of available funds. The budget format shall contain distinct sections for, but need not be limited to, maintenance and operation, transportation, property taxation and capital outlay. The maintenance and operation section shall include, but need not be limited to, separate subsections for special education and administrative services. The capital outlay section shall include special levies and debt service.

C. The maintenance and operation section of the budget format shall include all expenditures except for those included under transportation or capital outlay.

D. The budget format for the transportation section shall provide for the budgeting of transportation expenses as identified in the department of education account code as numbers 5030 and 5300 for the fiscal year 1973-74, and expenses for transportation equipment as identified in the department of education account code as number 8400 for the fiscal year 1973-74.

E. The budget format for capital outlay expenditures shall provide for the budgeting of capital outlay expenses, including the items identified in the department of education account code as numbers 8100, 8200, 8300, 8500, 8520, 8530 and 8600 for the fiscal year 1973-74. The budget format for capital outlay shall also include necessary information relating to special levies and bond service. Expenses for salaries and wages as identified in the department of education account code as number 8010 shall be budgeted under the maintenance and operation section of the budget.

Mr. Douglas R. Norton
June 14, 1979
Page 3

These provisions dictate the manner in which expenses are to be characterized for budgetary and accounting purposes. The Auditor General's authority relative to the budgetary process is limited to establishing a budget format for school districts to utilize;¹ he has no authority to affect the substantive determination of how a particular item is to be treated under the terms of the budget format. The Legislature has made these determinations by the definitions of capital outlay and transportation provided in A.R.S. § 15-1201.D and E. The Auditor General is bound thereby and the items covered by those definitions must be budgeted accordingly.

Expenses which must be budgeted pursuant to the transportation section of the budget format are found in the Department of Education account code numbers 5030, 5300 and 8400 for the fiscal year 1973-74.² A.R.S. § 15-1201.D. Account code number 8400 provides as follows:

8400 Transportation Equipment

All motor vehicles purchased outright. (Do not include under this item payments pertaining to lease-purchase of transportation equipment. Such payment may only be made from the fund raised by the first 10 cent levy of the 30 cent Building Fund levy.) (Emphasis added.)

¹ See A.R.S. § 15-1201.04 for the Auditor General's responsibilities relative to the accounting process.

² Subsequent to the fiscal year 1973-74, the account code numbers and definitions therein have been completely revised. The Legislature has expressed its intent to rely on the account code numbers as they existed in 1973-74 by continuing to refer to them in legislation enacted after the account code revisions. (This reinforces the conclusion that the Legislature wanted to definitively provide for the allocation of expenses and not allow the Auditor General to modify definitions.) We note that confusion may result in the budgeting process from the existence of two sets of account code numbers.

This provision clearly covers the purchase of all vehicles, irrespective of the purpose for which the vehicle will be used. Thus, the purchase of a vehicle may not be considered a capital outlay expense, and must be included in the transportation section of the budget.

Permissible capital outlay expenditures are specified in Department of Education account code numbers 8100, 8200, 8300, 8500, 8520, 8530 and 8600 for the fiscal year 1973-74. A.R.S. § 15-1201.E. Under account code number 8300, the following items are considered capital outlay expenses:

8300 Furniture and Equipment

Under this item charge all furniture, such as tables, chairs, desks, filing cabinets, lounges, floor lamps, office machines as well as all equipment for any part of a school building including classrooms, library, laboratories, offices, rest room and corridors. Include all delivery and installation charges for furniture and equipment here. Equipment is construed to include band uniforms if purchased by the district. Also portable classrooms purchased outright (after an election per A.G. Opinion 70-6-L) are to be charged to this account.

Library books may be considered "equipment" for the library and may be charged as a capital outlay expense.³

2. The Auditor General has the authority to "prescribe" a budget format which "shall be designed to allow all school districts to plan and provide in detail for the use of available funds." A.R.S. § 15-1201.A and B. The apparent purpose of this directive is to require the Auditor General to establish procedures which will enhance efficiency and eliminate confusion in the budgeting process. By setting a

³ Library books were considered a maintenance and operation expense in 1973-74 (account code number 2200), but the Auditor General is bound only by the account code numbers specified in A.R.S. § 15-1201.E. Since the definition of equipment in account code number 8300 can include library books, the Auditor General may include them as a capital outlay item. We note that once the Auditor General makes this determination, he must apply it uniformly to all school districts.

Mr. Douglas R. Norton
June 14, 1979
Page 5

minimum dollar amount⁴ for treatment of an item as capital outlay, confusion as to how small dollar items should be allocated will be eliminated and the budget process will be streamlined. We conclude, therefore, that the Auditor General has the requisite authority to do this.⁵

3. Among the items covered by A.R.S. § 15-445 are "specialized electronic, audio visual and computer equipment." Although funds for these items are collected pursuant to a levy requested by the board of trustees of a school district, the items must be included in the budget estimate to the board of trustees. Since the Auditor General has the authority to prescribe a uniform budget format,⁶ he has responsibility for interpreting the relevant statutory provisions consistent with the legislative intent so as to achieve uniform application by school districts. The Auditor General, then, has the authority to determine what items shall be designated "specialized electronic, audio visual and computer equipment" and school districts must comply with his determination.

Sincerely,



BOB CORBIN
Attorney General

BC/mm

⁴ The minimum dollar contemplated is \$100.00, as per the Auditor General's policy statement regarding capital outlay definition, attached to the March 1, 1979 supplement.

⁵ Although the minimum dollar requirement will result in the elimination of some capital outlay expenses under A.R.S. § 15-1201.E and the account codes referenced therein from treatment as capital outlay, we believe this is a permissible impact in achieving the purpose of the statute.

⁶ A.R.S. §§ 41-1279.21(2), 15-1201.A and B.