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Questions and answers

Question 1: Who is the Arizona Auditor General?

The Arizona Auditor General (Office) serves as an independent and nonpartisan source of impartial information concerning State and local governmental entities and provides specific recommendations to improve those entities' operations.

To fulfill its statutory duties, the Office must:

- ▶ Ascertain whether public entities are making wise use of their resources—public money, personnel, property, equipment, and space.
- ▶ Determine whether public entities are complying with applicable laws, regulations, and governmental accounting and financial and reporting standards.
- ▶ Define standards and establish procedures for accounting and budgeting, as the Legislature requires.
- ▶ Provide technical assistance to State and local governmental entities.

The Arizona Legislature first unanimously appointed Lindsey A. Perry as Auditor General effective April 18, 2018, for a 5-year term. The Legislature unanimously reappointed her for a second 5-year term on May 30, 2023. Ms. Perry is responsible for carrying out all Office audit, consulting, and investigation activities and management responsibilities, as well as overseeing the Office's day-to-day operations and interacting with the Arizona Legislature, State and local officials, community leaders, and other stakeholders. Ms. Perry is an Arizona native and a graduate of the University of Arizona with a dual Bachelor of Science degree in Business and Public Administration (Accounting and Management Information Systems). She is a Certified Public Accountant, a Certified Fraud Examiner, and a member of the American Institute of Certified Public Accountants, the Arizona Society of Certified Public Accountants, the National State Auditors Association, and National Association of Certified Fraud Examiners.

Question 2: What is Proposition 320?

Proposition 320 is a ballot measure related to school districts' spending on instruction referred to voters by the Arizona Legislature. To read the ballot measure's full text, see the Arizona Secretary of State's [website](#).

Question 3: What are the Arizona Auditor General's responsibilities related to Proposition 320 if voters approve it?

If voters approve Proposition 320, the Arizona Auditor General will be required to define "direct instructional expenses" as it pertains to school districts' spending. We would also be responsible for monitoring school districts' compliance with Proposition 320's spending requirements, which

we would do as part of our *Annual School District Spending Analysis*. Our spending analysis, which we have conducted since 2002, includes information about school districts' instructional spending and we issue this report on or before March 1 each year.

We provide our analysis through an interactive [website](#) that includes spending information such as State-wide and individual district instructional spending percentages and how those percentages have changed over time. The analysis also includes spending information for other operational categories, such as transportation and administration.

If voters do not approve Proposition 320, it will not go into effect, and our responsibilities for monitoring school districts' annual spending as part of our *Annual School District Spending Analysis* will not change.

Question 4: What are direct instructional expenses?

As required by State law, we have monitored school districts' instructional spending since 2002. Since we began monitoring school districts' spending, we have relied solely on the definition for direct instructional expenses from the U.S. Department of Education's National Center for Education Statistics (NCES).¹ According to NCES, school districts' direct instructional expenses include costs associated with the interaction between teachers and students, including salaries for teachers, teachers' aides, substitute teachers, graders, and guest lecturers. Direct instructional expenses also include general instructional supplies, instructional aids, field trips, athletics, cocurricular activities, and tuition. Our [website](#) includes information for school districts and other interested parties about how to calculate instructional spending based on NCES definitions and the *Uniform System of Financial Records* (USFR) Chart of Accounts.²

Using NCES definitions helps ensure year-to-year consistency in the spending information we report and provides for comparability with data reported by other states and the federal government.

Question 5: Will the Arizona Auditor General use the NCES definition for direct instructional expenses for purposes of monitoring school districts' compliance with Proposition 320?

Yes. As explained in question 4, we have relied on the NCES definitions since we began monitoring school districts' spending in 2002. We will continue to rely on NCES definitions for the purpose of monitoring school districts' compliance with Proposition 320's requirements if voters approve it. Using the NCES definitions ensures the consistency and comparability of school district spending information over time. It also facilitates comparisons with other state and national figures. Finally, adhering to NCES definitions helps ensure the integrity and validity of data Arizona schools report to the federal government.

¹ According to NCES' website, NCES is the federal statistical agency responsible for collecting, analyzing, and reporting data on the condition of U.S. education—from early childhood to adult education—to help improve student outcomes.

² The Arizona Auditor General in conjunction with the Arizona Department of Education developed the USFR pursuant to Arizona Revised Statutes §15-271. The USFR and related guidance prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements.

Question 6: How will school districts' spending on items like desks, computers, and equipment used in the classroom be classified if voters approve Proposition 320?

Proposition 320's spending requirements apply only to school districts' operational spending, which includes 7 categories of spending: instruction, instruction support, student support, administration, plant operations, food service, and transportation. Our *Annual School District Spending Analysis*' operational spending category is also based on NCES' definition of current expenditures, which excludes capital expenditures (e.g., land, buildings, and equipment). In accordance with NCES and the USFR Chart of Accounts, items like desks, computers, and equipment used in a classroom should generally be classified as capital expenditures and are not included in a school district's operational spending total. Therefore, capital and equipment purchases will not be considered for purposes of monitoring school districts' compliance with Proposition 320's spending requirements. Our [website](#) includes more information about how to calculate operational and nonoperational spending.

Question 7: Does Proposition 320 apply to Career and Technical Education Districts (CTEDs)?

We have not made a formal determination at this time. However, we are actively working with CTED officials and other stakeholders to understand their position on this question. If voters approve Proposition 320 and CTEDs are subject to it, we will monitor CTEDs' compliance with the proposition's requirements using the established NCES definitions.

Question 8: When does Proposition 320 go into effect if voters approve it?

Proposition 320 will become effective in fiscal year 2028 if voters approve it. We will issue our annual analysis of school districts' fiscal year 2028 spending on or before March 1, 2029.

Question 9: How will the Arizona Auditor General notify school districts, the Arizona Department of Education (ADE), and the public whether school districts have complied with Proposition 320's spending requirements?

As discussed in question 3, we will monitor school districts' compliance with Proposition 320's spending requirements as part of our *Annual School District Spending Analysis* issued on or before March 1 each year. If voters approve Proposition 320, we will include information in our spending analysis about whether each school district is subject to the proposition's spending requirements and if so, whether each district met the instructional spending requirements each year. We will also formally notify ADE of any school districts subject to Proposition 320 that do not meet the instructional spending requirements, and we will notify the affected school districts. Proposition 320 mandates that ADE is responsible for reducing noncompliant school districts' Classroom Site Fund allocations, and the Arizona Superintendent of Public Instruction may authorize limited waivers for certain withholding requirements.