

How to calculate operational and nonoperational spending

The categories described below use Arizona's Uniform Chart of Accounts for school districts terminology and are based on definitions developed by the U.S. Department of Education's National Center for Education Statistics. Section 1 outlines expenditures and other items that are excluded from both operational and nonoperational spending. Section 2 outlines how to calculate operational spending. Section 3 outlines how to calculate nonoperational spending.

Section 1—Excluded Expenditures and Other Items

The following expenditures and other items are excluded from both operational and nonoperational spending because they are not expenditures or including them would result in the double counting of expenditures:

Funds excluded:

- **575** – Unemployment Insurance (an internal service fund)
- **800's** – Fiduciary Funds
- **950 and above** – Internal Service Funds

Functions excluded:

- **6000** – Other Financing Uses

Object codes excluded:

- **6561 & 6565** – Tuition to Other Arizona School Districts
- **6631** – Fair Market Value of Donated Commodities
- **6740** – Depreciation
- **6750** – Capital Asset Impairments
- **6831** – Redemption of Bond Principal
- **6900 and above** – Other Financing Uses, such as Transfers and Indirect Costs

Section 2—Operational Spending

Operational spending includes costs incurred for the District's day-to-day operations. It excludes costs associated with repaying debt, capital outlay (such as purchasing land, buildings, and equipment), and programs such as adult education and community service that are outside the scope of preschool through grade 12 education. To be considered an operational expenditure, each component of the account code (fund, program, function, and object) must fall within the specified ranges below.

Funds:

- **001-599**
 - *Exclude funds 250 & 425 - Adult Education*
 - *Exclude fund 515 – Civic Center*
 - *Exclude fund 520 – Community School*

- *Exclude fund 575 – Unemployment Insurance*
- **600's** – Capital Projects Funds – include only textbooks, instructional aids, and library books (object codes 6641-6643) from these funds

Programs:

- 100-699

Functions:

- 1000 – Instruction
- 2100 – Student Support
- 2200, 3400 – Instruction Support
- 2300, 2400, 2500, and 2900 – Administration
- 2600 – Plant Operations
 - *Include insurance (object codes 6520's), telecommunications (object code 6531), and energy (object codes 6620's) if coded to unallowable function codes, and include all electricity (object code 6622)*
- 2700 – Transportation
- 3100 – Food Service

Object codes:

- 6100-6299 – Salaries and Benefits
- 6300-6599 – Purchased Services
 - *Exclude tuition to other Arizona school districts (object codes 6561 & 6565)*
- 6600-6699 – Supplies
 - *Exclude fair market value of donated commodities (object code 6631)*
- 6800-6899 – Miscellaneous
 - *Exclude redemption of principal (object codes 6830-6839), interest (object codes 6840-6859), amortization and other (object codes 6860-6889)*

Section 3—Nonoperational Spending

Nonoperational spending includes costs incurred for capital outlay (such as purchasing or leasing land, buildings, and equipment), interest, and programs such as adult education and community service that are outside the scope of preschool through grade 12 education, but excludes principal payments on bond debt. The following categories comprise nonoperational expenditures:

Land and Building—

- **Function 4000** – Facilities Acquisition and Construction
 - *Also include land and existing land improvements and buildings (object codes 6710-6729) if coded to unallowable function codes*
- Also include all expenditures in **Funds 600-699** not included in equipment or interest below and expenditures not coded to library books, textbooks, or instructional aids (object codes 6641-6643), which are included in operational expenditures above

Equipment—

- Object codes:
 - 6730's – Equipment
 - 6832 – Redemption of Principal – Other
- Exclude function 4000 – Facilities Acquisition and Construction (land and building)

Interest—

- Object codes 6840-6859 – Interest

Other—

This category consists of all remaining nonoperational expenditures—primarily expenditures for adult education, community services operations, and civic center.