



Fiscal Year 2022-2023

# Arizona School Finance Summary Manual

A tool developed to assist you in understanding  
the school budget - where the money comes from and where it goes

The Arizona Association of School Business Officials (AASBO) is pleased to provide this document so that you may better understand the ever-changing world of school finance. This document will assist you in assembling and deciphering the various elements of a school district budget as well as being a resource for other related budgetary issues. This manual is only one resource available to you in your quest to understand school finance. This document, as well as other related information, is available to you via the AASBO web site. The AASBO website ([www.aasbo.org](http://www.aasbo.org)) contains numerous links to other related organizations that contain helpful information in the area of school finance. Attempts have been made to weave in the unusual changes that have occurred in response to the budget challenges being seen at the state level. Users of this manual should continue to check with the Department of Education, the Auditor General and the AASBO website and bimonthly meetings to assure they have the most recent data and to determine if the Legislature has made any mid-year changes to the school finance formula. For those who desire a learning experience typically associated with a classroom environment, including qualified instructors and interaction with peers, consider enrolling in one of the AASBO Educational Programs. Subject areas include: accounting, budgeting, purchasing, food service, transportation, facility management, human resources and school law. Advanced classes are offered in the areas of purchasing, budget and finance, and maintenance and operations. An internship program offering opportunities to work with mentors is available to students who have completed classes in each discipline.

If you should have any questions, ideas, or suggestions, please feel free to contact the AASBO staff at 602-253-5576.

Two certificate credentials, School Business Specialist and School Business Official, are currently being offered to AASBO members. For further information on these programs, contact the Director of Education Programs or an AASBO staff member. AASBO is an organization that is dependent upon the service of its members. The creation of an update of the School Finance Manual was accomplished by the combined efforts of the membership and AASBO staff.

A special thanks goes to all those contributing to the update of this year's manual. If you should have any questions, ideas, or suggestions, please feel free to contact the AASBO staff at 602-253-5576. They will be more than willing to assist you.

- AASBO Board of Directors

[www.aasbo.org](http://www.aasbo.org)

A special thanks goes to Karin Smith from Heinfeld Meech, Brian Lockery from Kyrene School District Annette Moreno from The Office of Maricopa County School Superintendent for providing technical assistance in reviewing and updating this FY2022-2023 edition of the AASBO School Finance Manual.

# Arizona School Finance Summary Manual

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## Arizona School Finance Summary Manual

This document is divided into four (4) sections to aid in your understanding of school finance. These sections are as follows:

- I. Overview
- II. Budget Formula Construction
- III. Where Formula Dollars Come From
- IV. How Budgets Are Categorized

Although the information in this document is representative of many public school districts in the State of Arizona, it will not portray all. Additional information may be obtained from the following locations.

Arizona Department of Education  
1535 West Jefferson Avenue  
Phoenix, AZ 85007  
(602) 542-5393 & 1 (800) 352-4558  
[www.azed.gov](http://www.azed.gov)

School Facilities Oversight Board  
1700 West Washington, Suite 230  
Phoenix, AZ 85007  
(602) 542-6501  
[www.sfb.az.gov](http://www.sfb.az.gov)

Arizona Auditor General  
2910 N. 44th Street, Ste. 410  
Phoenix, AZ 85018  
(602) 553-0333  
[www.azauditor.gov](http://www.azauditor.gov)

Arizona Association of School Business Officials  
2100 N. Central Ave., #202  
Phoenix, AZ 85004  
(602) 253-5576  
[www.aasbo.org](http://www.aasbo.org)

Arizona School Boards Association  
2100 North Central Avenue, Ste 200  
Phoenix, AZ 85004-1441  
(602) 254-1100  
[www.azsba.org](http://www.azsba.org)

Arizona School Administrators  
1910 W. Washington  
Phoenix, AZ 85009  
(602) 252-0361  
[www.azsa.org](http://www.azsa.org)

Arizona Department of Revenue  
1600 W. Monroe  
Phoenix, AZ 85007-2650  
(602) 716-6090  
[www.azdor.gov](http://www.azdor.gov)

Association of School Business Officials International  
11401 North Shore Dr.  
Reston, VA 20190  
866-682-2729  
[www.asbointl.org](http://www.asbointl.org)

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The public elementary and secondary schools of Arizona are governed by the Arizona Constitution and [Title 15](#) of the [Arizona Revised Statutes](#) (A.R.S.). The legislature has required that the Arizona Department of Education and the state’s Auditor General interpret Title 15 and design the state’s [Uniform System of Financial Records](#) (USFR) which is used in maintaining local school district financial records and preparing reports. Two USFR manuals exist, one for school districts and one for charter schools. The USFR prescribes the accounting system, minimum requirements for internal controls, and includes a detailed description of the legally established chart of accounts structure. The USFR and Memorandums are available to download from the Auditor General’s site ([www.azauditor.gov](http://www.azauditor.gov)). The USFR includes a calendar, chart of accounts, compliance requirements, best practice procedures, and other valuable information.

In 1980-81, the Arizona Legislature refined the school finance system to provide equal dollars per weighted pupil for school district operations through a balancing of the local qualifying property tax rate and State and County equalization assistance. This concept, commonly referred to as the “equalization formula” allowed school districts throughout the State of Arizona to experience similar “effort” in raising educational dollars for their students irrespective of the property valuations within their boundaries. This equalization formula is still utilized today in funding a district’s Revenue Control Limit (RCL) and Capital Outlay Revenue Limit (CORL) now known as District Additional Assistance (DAA). Further details of these formulas are included in the section of this document entitled, Budget Formula Construction.

In 1994, the Arizona Supreme Court ruled that the state’s statutory formula for funding school facilities and equipment violated the Arizona Constitution. A four-year struggle to create a new capital finance system ended July 9, 1998 when the legislature passed

and approved Students FIRST (Fair and Immediate Resources for Students Today) legislation. Students FIRST created a completely new capital financing system aimed at creating minimum adequacy standards for capital related issues in public schools. This system more tightly controls the capital funding as compared with the past when it was typically financed by the sale of general obligation bonds. The Students FIRST program is governed by the state School Facilities Oversight Board.

The focus of this manual is to provide an understanding of the way public school districts in the State of Arizona are funded

In 1995 the Legislature authorized charter schools — a new educational option. In the first years, charter school funding was based on the RCL, CORL and Capital Levy Revenue Limit (CLRL), which was calculated in the same manner as the districts. Over the years, the funding has evolved to include Charter Additional Assistance, which replaced the CORL, CLRL and Transportation funding, plus additional monies in lieu of capital funding from the School Facilities Oversight Board (SFOB).

The focus of this manual is to provide an understanding of the way public school districts in the State of Arizona are funded and does not include charter school funding. The sections that follow will help to better understand some of the detailed components that make up the financing formulas.



# Budget Formula Construction

A school district budget is for the fiscal year from July 1 to June 30. Each school district must propose, adopt and revise an expenditure budget according to the following chart.

The following is a schedule of the dates, publishing and meeting notice requirements for Expenditure Budgets per Arizona Revised Statutes:

FY23 School District Annual Expenditure Budget Submission and Publication Instructions on the auditor general's website [found here](#).

Type of Budget	Publishing Requirements	Public Hearing and Board Meeting	Post Notice of Public Hearing*
Proposed budget	Propose call for public hearing	On or before July 5	Yes
Adoption of proposed budget ( <a href="#">A.R.S. § 15-905.C</a> )	Publish proposed budget or summary and notice no later than 10 days prior to public hearing or post on the Arizona Department of Education website	On or before July 15	Yes
September 15 budget revision ( <a href="#">A.R.S. § 15-905.Q</a> )	No (reminder: this revision only applies if legislative change is enacted after budget forms are issued)	On or before September 15	Yes
December 15 budget revision ( <a href="#">A.R.S. § 15-905.E</a> )	Publish revised budget or summary and notice no later than 10 days prior to public hearing or post on Arizona Department of Education website	On or before December 15	Yes
Final budget revision; tuition revenues <a href="#">A.R.S. §15-905(I)</a> ; Type 03 HS tuition <a href="#">A.R.S. §15-905(J)</a> ; Impact Aid <a href="#">A.R.S. §15-905(K)</a> and (O)	No, however publish public hearing agenda item 24 hours in advance of the public meeting through the normal board meeting notice location.	On or before May 15	Yes
Any other elected budget revisions	No, however publish public hearing agenda item 24 hours in advance of the public meeting through the normal board meeting notice location.	On or before May 15	Yes
*Regular public hearing notice requirements for posting must be met.			

The Expenditure Budget contains categories from which school districts can expend monies. These categories (funds) fall into these major classifications:

- Maintenance & Operation
- Unrestricted Capital Outlay
- Classroom Site Fund
- Instructional Improvement Fund
- Special Projects (Federal/State)
- Bond Funds
- Agency Funds
- Fiduciary Funds
- Special Revenue Funds

### Maintenance and Operations Budget

The Maintenance & Operations (M&O) Fund budget is where most of the day-to-day expenditures take place. Typical budgeted expenditures include: salaries, employee benefits, supplies, utilities, maintenance and repair, and miscellaneous expenditures not of a capital nature.

Although the format and formula computation of the M&O Fund is very structured, the process of determining how the monies will be spent varies among school districts. Typically, the budgeting process starts months before the budget year begins.

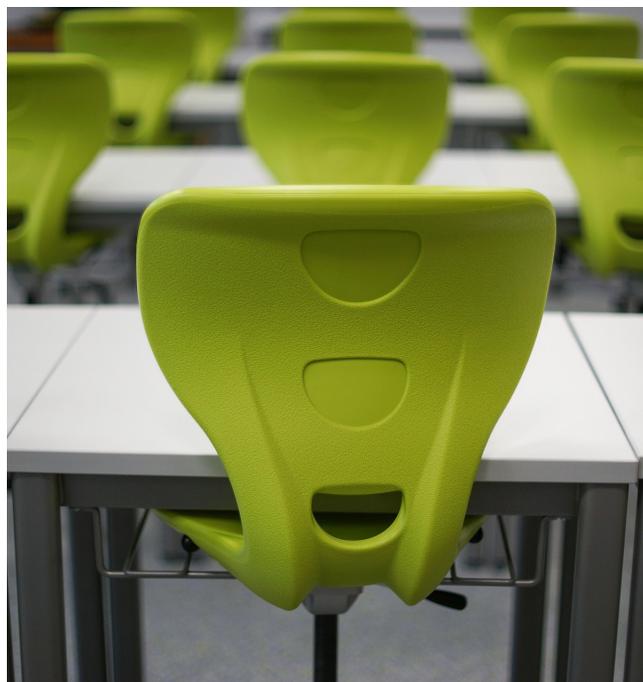
The M&O Budget limit is based on a number of formulas which are heavily dependent upon the Average Daily Membership (ADM) ([A.R.S. §15-901](#)). The M&O Budget is funded on current year (CY) ADM. ADM means the average enrollment of fractional students and full-time students through the first 100 school days of the calendar, minus withdrawals ([A.R.S. §15-901](#)). Additionally, [A.R.S. §15-902.04](#) provides an option to offer a 200-day calendar and receive additional 5% of base level funding. The modified calendar requires a 10% increase in instructional time.

### Equalization Formula

The Equalization Formula consists of the following:

- Base Support Level (BSL) ([A.R.S. §15-943](#)) (CY ADM)
- Transportation Support Level (TSL)/Transportation Revenue Control Limit (TRCL)
- District Additional Assistance; (DAA) (PY ADM), ([A.R.S. §15-961](#))
- Tuition
- Consolidation/Unification Assistance

These budget limit components may be allocated to M&O or Capital.



## Base Support Level (BSL)

### Weighted Student Count

The Weighted Student Count takes into consideration the relative associated cost of educating certain classifications of students, the size of the district, whether the students are in elementary or high school, the isolation of small rural school districts in the state, and special needs children. Weighted Student Count is specified per [A.R.S. §15-943](#).

$$\text{Base Support Level} = \left\{ \begin{array}{l} \text{Weighted Student Count} \\ \times \\ \text{Base Level Amount} \\ \times \\ \text{Teacher Experience Index} \end{array} \right.$$

### Group A Weighted Students

Group A students are defined in [A.R.S. §15-901](#) as, SLD, ED, MID, RE, SLI, etc. students. For school districts with 600 or more students, the chart below lists the weights by grade level.

Grade Level	Support Level Weight
Pre-School with Disabilities (PSD)	1.450
K - 8 grades	1.158
9 - 12 grades	1.268

The additional 0.450 is added for preschool students with special needs. The additional 0.158 added for K-8 and 0.105 of the 0.268 added for 9-12 are additional funding designed to help fund the following programs: Career Exploration, Specific Learning Disability, Emotional Disability, Mild Intellectual Disability, Remedial Education, Speech Language Impairment, Developmental Delay, Homebound, Bilingual, Other Health Impairments, and Gifted. The remaining 0.163 of the 0.268 is a high school base provided as additional support for 9-12 students.

School districts with fewer than 600 students in elementary and/or high school grades have weights that vary by grade range. Weight factors for the small isolated school districts are greater than those for the small school districts. School districts must be designated by the Superintendent of Public Instruction in order to use small isolated district weights. As defined in [A.R.S. §15-901 \(B\) \(26\)](#), a small isolated school district to be so designated must contain no school which is fewer than thirty miles, or fifteen miles if road conditions and terrain cause driving to be slow or hazardous, from another school operated by an in-state school district and which teaches one or more of the same grades as the school to be designated as within an isolated small school district. Following is how to calculate the student support level weights for these school districts as identified in [A.R.S. §15-943.1](#). Kindergarten students are counted as .5 FTE.

(See chart below)

Support Level Weights for Small School Districts Not Designated as Isolated		
Student Count	K-8 Grades	9-12 Grades
< 100	1.399	1.559
> =100 & < 500	1.278 + [.0003 x (500 – student count)]	1.398 + [.0004 x (500 – student count)]
> = 500 & < 600	1.158 + [.0012 x (600 – student count)]	1.268 + [.0013 x (600 – student count)]
Support Level Weights for Small Isolated School Districts		
Student Count	K-8 Grades	9-12 Grades
< 100	1.559	1.669
> =100 & < 500	1.358+ [.0005 x (500 – student count)]	1.468 + [.0005 x (500 – student count)]
> = 500 & < 600	1.158 + [.002 x (600 – student count)]	1.268 + [.002 x (600 – student count)]

## Base Support Level (BSL) cont.

### Group B Weighted Students

Additional support level weights are provided for special needs. Funding for Extended School Year (ESY) is included within the funding generated by these additional weights. These weights are specified in [A.R.S. §15-943.2](#). They are as follows:

K-3 Reading	0.040
K-3	0.060
ELL (English Language Learners)	0.115
Hearing Impairment	4.771
MD - R, A-R and SID - R	6.024
MD - SC, A-SC and SID - SC	5.988
Multiple Disabilities Severe Sensory Impairment	7.947
Orthopedic Impairment (Resource)	3.158
Orthopedic Impairment (Self Contained)	6.773
Preschool-Severe Delayed	3.595
DD, ED, MIID, SLD, SLI, and OHI	0.292
Emotionally Disabled (Private)	4.822
Moderate Intellectual Disability	4.421
Visual Impairment	4.806
Gifted	0.007
Free/Reduced Lunch (FRPL)	0.018

## Base Level Amount

The Base Level is the amount of money determined annually by the Legislature per 1.0 weighted student count. For budget year 2022-23 the Base Level is \$4,775.27.

## Teacher Experience Index (TEI)

This factor is derived from the formula specified in [A.R.S. §15-941](#). Its purpose is to allow extra budget capacity for school districts whose average years of experience for teachers exceed the State of Arizona average. Districts that qualify are allowed to increase the support level by 2.25% for each year of experience above the State of Arizona average. The average and each district's TEI factor is calculated from the School District Employer Report (SDER) that is due annually by October 15; this report is commonly compiled by a district's Human Resources or Payroll department.

## Pupil Transportation Funding

[A.R.S. §15-945](#) and [§15-946](#) provide increased budget limits for districts that transport or contract for the transportation of students to and from school. There is additional funding for academic, vocational and athletic trips. The subsections below provide details on the computation of the transportation limits.

### Transportation Support Level (TSL)

The Transportation Support Level (TSL) is based on the average daily route miles per eligible student transported. Districts are required to use the prior year Approved Daily Route Mileage in calculating this amount for the budget year. Eligible students are those in elementary school (grades PSD-8) whose place of residence is greater than one mile from their school of attendance, and those in high school (grades 9-12) whose place of residence is greater than one and a half miles from their school of attendance. The formula is based on 180 school days (or 200 days).

The first step in calculating the TSL is to divide the district's total daily route miles by the total number of eligible students transported. The quotient obtained from this calculation is used in this chart to determine the district's funding per route mile.

Daily Route Mileage Per Eligible Student	State Support Level per Route Mile for FY2023
0.5 or less	\$2.83
More than 0.5 through 1.0	\$2.32
More than 1.0	\$2.83

The factor chosen from the chart is multiplied by the total route mileage and then actual expenditures for bus passes and tokens for eligible students is added to that product to determine the to-and-from school support level.

The second section of the support level is for academic, vocational and athletic trips. This add-on amount varies by type of district and is determined by the following chart:

Daily Route Mileage Per Eligible Student Transported	District Type 01, 02 or 03	District Type 04	District Type 05
1.0 or Less	0.15	0.10	0.25
More than 1.0	0.18	0.12	0.30

Type 02 = unified district, Type 03 = elementary district not in a high school district, Type 04 = elementary district in a high school district and Type 05 = high school district.

The factor determined above is multiplied by the to-and-from support level (excluding bus tokens and passes) to calculate this add-on.

The third part of the calculation is the support level for the extended year programs which is determined by multiplying the total route miles for students with disabilities attending the extended school year program by the per mile factor used in the basic to and from support level.

The sum of the above three items, (to-and-from, academic/ vocation/athletic, and extended school year) constitutes the TSL.

The Transportation Support Level (TSL) is based on the average daily route miles per eligible student transported.

## Pupil Transportation Funding cont.

### Transportation Revenue Control Limit (TRCL)

The Preliminary Transportation Revenue Control Limit (TRCL) is determined by adding the increase in the budget year TSL from the prior year TSL to the prior year TRCL.

In accordance with [A.R.S. §15-946](#), the budget year TRCL cannot increase from the prior year TRCL amount if the budget year TRCL would exceed 120% of the budget year TSL.

If the budget year Preliminary TRCL is greater than 120% of budget year TSL, then the budget year TRCL is the same as the prior year TRCL.

In 2007, the Arizona legislature amended [A.R.S. §15-946](#) to set the TRCL to equal the TSL, when the TSL is greater than the TRCL (Laws 2007, 1st Regular Session, Chapter 234, Section 1).



The Preliminary Transportation Revenue Control Limit (TRCL) is determined by adding the increase in the budget year TSL from the prior year TSL to the prior year TRCL

### Revenue Control Limit (RCL) and District Support Level (DSL)

The Revenue Control Limit (RCL) is a spending limit and is calculated by adding the BSL to the TRCL. The RCL may be allocated, in amounts determined by the district, between the M&O fund budget and the unrestricted capital fund budget.

The District Support Level (DSL) is that portion of the RCL that is eligible for equalization assistance. It is calculated by adding the BSL to the TSL.

The Revenue Control Limit may be allocated, in amounts determined by the district, between the M&O fund budget and the unrestricted capital fund budget.

Common school districts not within a high school district (Type 03) are funded for high school students based on high school tuition paid to other districts. The Base Support Level formula for those districts uses the elementary student count only. The tuition amount paid for high school students from these districts is included in DSL and RCL for purposes of determining the General Budget Limit, but excluded when calculating the amount of budget overrides.

## District Additional Assistance

Just as there is a formula that determines the Revenue Control Limit, there is also a formula for Capital Outlay in [A.R.S. §15-961](#). The District Additional Assistance (DAA) is an allocation and, like the RCL, may be allocated (in whole or in part) to either the M&O or unrestricted capital fund. The DAA calculation is a multiplication of the unweighted actual student count (100th Day Prior Year ADM) by the appropriate support levels. The 2022-2023 formula for districts of 600 or more students is as follows:

Grade Level	Support Level
PSD	\$502.33
K-8	\$502.33
9-12	\$549.33

The sum of the above products is the DAA Base. If a district's student count is greater than 5% over the prior year student count, the DAA Base is increased by 50% of the actual percentage increase in the school district's student count.

The final factor in the DAA formula is an increase for textbooks for high school students. Prior to 1984, high school students had to pay a rental fee for textbooks. In 1984, the Legislature adopted a compulsory education statute which requires students to be 16 or to have completed the 10th grade prior to leaving school. In conjunction with the compulsory school requirement, the Legislature commenced the process of furnishing textbooks free to high school students. In FY2022-2023, the allowable amount for high school textbooks is \$77.65 per high school student count. It should be noted that these provisions apply only to required textbooks and related printed materials. School districts may continue to charge a reasonable rental fee for other supplementary materials.

## Aggregate Spending Limit

In 1980, a new public school funding formula which equalized funding across all public-school districts was established. At this same time, Arizona voters approved a limit on what public schools are allowed to spend in a year. This established a limit on school districts both at the individual and the aggregate. In recent years, Arizona school district funding has moved to current year funding, meaning funding is based on current year enrollment. However, the aggregate spending limit is based on prior year enrollment. In fiscal year 2021 enrollment statewide saw a drastic reduction due to COVID-19 and the reduction in funding due to distance learning. Subsequently, in budgets for fiscal year 2022 were increased to account for students returning to the classroom. In 2018, the state Legislature approved the continuation of Classroom Site Fund (CSF) for an additional 20 years (beginning in FY22). Since this was not sent to the voters for an exemption from the limit, this action removed the exemption which allowed these monies being excluded from the formula. With CSF funding now in the formula, it is projected Arizona school districts will continue to exceed the limit. To make a permanent change to the limit, the State Legislature would need to refer the issue to voters, or the legislature can override this limit annually by a super-majority vote. In fiscal year 2022, the legislature approved this override. It is estimated that Arizona School Districts will experience a 17.1% reduction in FY23 if the legislature does not approve the override.

## Student Count of Less Than 600

For small and isolated districts, the basic formula per student dollar amounts for K-8 and 9-12 are multiplied by the corresponding weights as determined from the chart in the *Small Districts Not Designated as Isolated* table on page 8 of this document and prescribed by [A.R.S. §15-943](#) (for small school districts).

### Additions to the Maintenance & Operations and Unrestricted Capital Outlay Budget

After allocating the RCL and the District Additional Assistance (DAA) between the Maintenance & Operation Budget and the Unrestricted Capital Outlay Budget there are certain adjustments to be made in arriving at the total budget for these funds. There are numerous reasons for an increase, but most districts will typically only have some of the adjustments noted below. Unless otherwise noted, the adjustment may be made to both.

### Budget Overrides

[A.R.S. §15-481](#) allows a district to increase its budget up to 15% of its Revenue Control Limit of the prior year ADM if the voters of the district approve by election. The voter authorization is given for up to seven years. If the additional increase is for five years or more, the percentage increase remains constant (up to 15%), except during the next to last year when the percentage decreases to two-thirds of the initial percentage and during the last year when it decreases to one-third of the initial percentage. A district can renew its authorized percentage (up to 15%) prior to the phase out of the existing override of an existing override by passing another election. This override may only be allocated to the M&O Fund.

A special override election for special programs may be held. Five percent of the Revenue Control Limit attributable to the weighted count in PSD, kindergarten and grades 1-12 can be requested under the provisions of [A.R.S. §15-482](#). However, when this provision is used in combination with the use of proceeds from the sale or long-term lease of school property ([A.R.S. §15-1102](#)) or with an override in accordance with [A.R.S. §15-481](#), the total increase cannot exceed 15% of the Revenue Control Limit. This special program override can be for the same duration as an M&O override. This override may be allocated to the M&O or Unrestricted Capital Outlay Fund.

[A.R.S. §15-481](#) allows for a special override election for capital outlay. For overrides approved by a vote of the qualified electors of the school district at an election held from and after October 31, 1998, the period of the additional increase prescribed in this subsection shall not exceed seven years for any capital override election. This override may be allocated to the Unrestricted Capital Outlay Fund only. Starting in 2010-11, capital outlay override election authorizations are limited to 10% of the revenue control limit. There is no phase down process for capital overrides.

Overrides are calculated on the RCL calculation using prior year ADM. Overrides may not be increased for growth in student counts. Equalization Assistance is not provided for override amounts.

### Tuition Revenue

Districts are allowed to budget an additional amount for tuition and/or certificates of educational convenience (CEC) revenues. If this revenue was underestimated, the district may increase the budget prior to May 15. If this revenue was overestimated, the district must reduce expenditures and the general budget limit based on actual revenues.

Overrides may not be increased for growth in student counts.



### Budget Balance Carryforward

A district may carry forward any unused M&O budget balance. None of this carry forward can be attributable to required reductions such as tuition revenue budgeted and not received or expenditures for the debt service portion of the cost of tuition. Authorization for this addition is found in [A.R.S. §15-943.01](#).

A district may also carryforward any unused District Additional Assistance Fund budget plus interest earned for the prior fiscal year. Interest earnings from the prior year may not be used to increase the M&O budget.

### Desegregation Costs

Additional budget capacity for a district to comply with or continue to implement activities relating to a court ordered desegregation or administrative agreement with the United States Department of Education Office for Civil Rights is allowed under [A.R.S. §15-910](#). A district qualifying and choosing to budget for these expenses may budget both maintenance and operation and capital outlay funds outside of the RCL and DAA. A separate desegregation budget must be prepared on forms prescribed by the Superintendent of Public Instruction. This additional funding is paid by a local tax levy.

Equalization assistance is not provided by the State or county for these costs. Current law has capped the desegregation budget for 2009-10 and each year thereafter at the amount budgeted for desegregation expenses in fiscal year 2008-09.

### Small School District Exemption

School districts that have a student count of 125 or fewer students in grades K-8 or 100 or fewer students in grades 9-12 may adopt a budget in excess of their normal calculated budget limit. Districts that utilize this provision are allowed to add any needed dollars at the time the budget is proposed ([A.R.S. §15-949](#)). This additional funding is paid by a local tax levy.

### Registered Warrants

Districts may budget for interest expenses for registering warrants or net interest expense for tax anticipation notes (TANS) incurred in the fiscal year two years prior to the budget year. This applies if the county treasurer pooled all district monies for investment and the district applied for early payments of their state aid apportionment or the district was not eligible for state aid. [A.R.S. §15-910.N](#)

### Tuition Out Debt Service

Districts may budget the bond issues portion of the cost of tuition charged to the district as provided in [A.R.S. §15-824](#) for pupils attending school in another school district. [A.R.S. §15-910.L](#). This increase is made only to the M&O Fund.

### Dropout Prevention Programs

School districts which participated in the dropout prevention program as originally established pursuant to laws 1987, Chapter 333 and continued by Laws 1990, Chapter 399, may continue to budget for the dropout prevention program in an amount not to exceed the amount budgeted in fiscal year 1990-1991 (Laws 1992, Chapter 305, Section 32). Expenditures for programs serving grades 4 through 12 are allowed.

### Career and Technical Education and Vocational Education Center

Districts that have entered into an intergovernmental agreement to establish a jointly owned and operated career and technical education and vocational education center as provided in [A.R.S. §15-789](#), may budget for vocational maintenance and operation expenses which are specifically exempt, in whole or in part, from the revenue control limit for a period of not to exceed three years, beginning the first year that the career and technical education and vocational education center is operating. ([A.R.S. §15-910.01](#))

### Performance Pay Budget Balance Carryforward

A district that has a performance pay component in its salary schedule may budget any budget balance in the maintenance and operation section of the budget that is directly attributable to the performance pay component in the salary schedule from the current fiscal year for use in the performance pay component of the salary schedule in the budget year. Budget balance for this item means the difference between the actual and budgeted performance pay component of a district's salary schedule. This increase is made only to the M&O Fund.

### Other Adjustments

Districts shall adjust the budget for adjustments required by the Department of Education or adjustments required by the State Board of Education (eg., budget reduction for prior year for over expenditure pursuant to [A.R.S. §15-905 L.](#)) [A.R.S. §15-905 M.](#)

### Audit Expenses

The district BSL is increased by the amount of the audit expense reported on the AFR two fiscal years prior. The audit cost reported are those that cannot be charged to federal programs.



### DAA Allocation Adjustments

The District Additional Assistance allocation is used to arrive at the Unrestricted Capital Outlay budget limit. It may be allocated in whole or in part between M&O and the Unrestricted Capital Outlay fund as determined by the school district for capital needs. There are adjustments to the DAA allocation that may affect this determination and allocation to the Unrestricted Capital Outlay budget limit. The adjustments are as follows:

- Districts with a K-12 student count of fewer than 600 students are allowed a special transportation capital adjustment. A district must make application to school finance and obtain approval through the State Board of Education for this special adjustment to DAA, and it must meet several requirements set forth in [A.R.S. § 15-963](#).
- State budget reduction as determined by the State Legislature.

### Unrestricted Capital Outlay Budget Limit Adjustments

As is with the M&O budget limit, there are adjustments that may be made to the Unrestricted Capital Outlay fund to arrive at the budget limit as described below.

- DAA allocation adjustment as determined by a school district in whole or in part with M&O.
- Unrestricted Capital Outlay fund budget balance may be carried forward to the subsequent budget year.
- The Unrestricted Capital Outlay fund may be adjusted for interest earned from the previous year.
- Districts shall adjust the budget limit for adjustments required by the Department of Education or adjustments required by the State Board of Education (eg., budget reduction for prior year for over expenditure pursuant to [A.R.S. § 15-905 L.](#)) [A.R.S. § 15-905 M.](#)

The money to support the Revenue Control Limit and District Additional Assistance, as set forth in the preceding sections, are obtained from two main sources - state equalization assistance and property taxes.

## State Equalization Assistance

The school finance formula attempts to ensure that each district has equitable budget capacity compared to others in the state. Equalization assistance helps to ensure that the revenues available for district budgets are shared equitably as described in [A.R.S. §15-971](#). Equalization assistance is the amount of money that the state provides to school districts over and above the levy amount raised with the uniform Qualifying Tax Rate (QTR). If the local tax rate necessary to fund the RCL/DSL, DAA and allocation formulas is equal to or lower than the Qualifying Tax Rate, no state equalization assistance is given. If the tax rate necessary to fund the formulas is greater than the Qualifying Tax Rate, state equalization assistance is provided in order to keep this portion of local property taxes uniform throughout Arizona. The amount of equalization assistance provided varies inversely with a district's per weighted student assessed property valuation. As the district assessed valuation per student goes up, the equalization assistance goes down. The state equalization aid formula can be described as follows:

1. Equalization base is the sum of the lesser of the RCL or DSL, District Additional Assistance Allocation and District Type 03 tuition-out charge (if applicable).
2. District Preliminary Assessed Valuation (A.V.) - Including valuation of in-lieu contributions.
3. Qualifying Tax Rate (QTR) for 2022-23 is \$1.7133 for elementary level students and high school students. Unified and Type 03 elementary districts must separately determine equalization based on PSD-8 student count and 9-12 student count.
4. Qualifying Levy is the district's Primary Assessed Valuation divided by 100 multiplied by the Qualifying Tax Rate.
5. Equalization Assistance is the Equalization Base minus the Qualifying Levy.

The State Board of Education is charged with distributing state aid (equalization assistance) from the state aid entitlement for school districts. In reality district's will receive 1/12th of 2/3rds of the state aid payments each month and the additional 1/3rd lump sum payment is rolled over in July of the subsequent fiscal year. [A.R.S. §15-973](#) provides the following schedule for state aid distributions to school districts:

On the fifteenth business day of:

July	1/12 of the total amount is distributed
August	1/12 of the total amount is distributed
September	1/12 of the total amount is distributed
October	1/12 of the total amount is distributed
November	1/12 of the total amount is distributed
December	1/12 of the total amount is distributed
January	1/12 of the total amount is distributed
February	1/12 of the total amount is distributed
March	1/12 of the total amount is distributed
April	1/12 of the total amount is distributed
May	1/12 of the total amount is distributed
June	1/12 of the total amount is distributed

*If a school district has cash flow problems, it can apply to the Superintendent of Public Instruction for early payments on the schedule shown above. Advance payments will be made if state funds are available and if approved by the State Treasurer, the Director of the Department of Administration and the Superintendent of Public Instruction. In no event is a school district allowed to receive more than three-fourths of its total apportionment before May 1 of the fiscal year.*



### School District Property Taxes

A significant portion of school district financing in Arizona comes from local property taxes on real and personal property. As outlined in the previous section on equalization assistance, the funding for the Revenue Control Limit and District Additional Assistance for each district is based upon what a tax rate generates in each district. This system results in districts with high taxable property values per pupil paying a higher percentage of the total cost with local taxes. In contrast, school districts with lower taxable property values per pupil pay a lower percentage of the total cost. Items outside the RCL and DAA that don't have a dedicated funding source are from the local property tax levies of each district.

In August, the County School Superintendents' offices transmit tax levy requirements for each district to the county finance departments who, in turn, inform the county Board of Supervisors of the necessary levy by fund for each district. The levy, placed on property in August, applies to the assessed valuation determined for real property and secured personal in the district through the previous January (varies by county). For the unsecured personal property in each district, the new tax rate for each year is not applied until the following January (varies by county). This variation in assessing practices can result in a revenue lag if district tax rates increase substantially over a previous year.

Primary (M&O and Capital) and secondary (bonds and overrides) tax levies are determined by applying tax rates against the net limited assessed valuation of the school district. This is based on a limited value determination specified in the constitution, which limits the value of the property used for tax purposes each year to five percent growth, up to the full cash value of the property. It should be noted that for the property valued by the Arizona Department of Revenue, there is a separate limited value calculation – the full cash value of the property is also the limited property value.

Property taxes are collected and distributed in November and April of each year. Generally in Arizona, the delinquency rate on taxes has been averaging approximately 5%, which can account for cash flow problems in some school districts. A portion of the taxes due is paid by the State in the form of additional state aid, as provided by the homeowners tax reduction provisions pursuant to [A.R.S. §15-992](#). Salt River Project funds are in lieu of property taxes.

Regardless of the collection of taxes or the timeliness of being received in a district, the district can spend up to the budget capacity authorized by the previously described limitations. The district must register warrants if the cash is not available at the time of expenditure.



Registering warrants is the system established in A.R.S. that allows the county treasurer to provide short-term financing to school districts for cash flow problems in its primary levy funds (M&O, Adjacent Ways and DAA) and the Classroom Site Fund (CSF).

### Checking the Calculations

The budget limit and equalization assistance calculations can be checked by obtaining the BSA 55, which was previously known as the APOR 55, report on the Arizona Department of Education's web site. This report is updated for each payment scheduled pursuant to [A.R.S. § 15-973](#).

The [ADE website also provides the BUDG25 and BUDG75 reports](#). The BUDG25 report compares the budget submitted by the district to a calculation of the district's budget that is performed by ADE and notes the differences. The BUDG75 report compares the actual expenditures in the Annual Financial Report (AFR) submitted by the district to the lesser of the ADE calculated budget and budget limits and calculates the budget balance carryforward for the next year. With student counts continuing to be adjusted after the budgets are revised in May, it is important for districts to reconcile their budgets and AFR's to the BUDG75 to ensure they are using the correct budget limits, carry forwards, etc. For FY21 and prior years, [reports can be found here](#). For FY22 and beyond, [reports can be found here](#).

A link to the USFR Chart of Accounts can be [found here](#).

## Maintenance and Operations (M&O) Fund 001

This fund is divided into multiple programs. The four main programs are: Regular Education, Special Education, Career & Technical Education, and Pupil Transportation. For reporting and accounting purposes, each of the programs is further subdivided by function (instruction, support services, and operation of non-instructional services).

The total budget for the M&O Fund cannot exceed the budget limits previously specified and the expenditures cannot exceed the budget. The budget limit determines spending authority rather than cash availability.

### Regular Education - Program 100

This program is used to account for expenditures relating to activities that provide students in kindergarten through grade 12 with learning experiences. Expenditures not specifically assigned to other programs should be classified here.

### Special Education Programs - Program 200

This program is used to account for expenditures relating to activities for students receiving services outside the realm of “regular programs” in accordance with the disability classifications as defined in [A.R.S. §15-761](#), and programs for: gifted, remedial, English immersion, vocational and technical, and career education.

### Career and Technical Education - Program 300 - 399

These programs are used to account for the CTED programs by discipline.

### Pupil Transportation - Program 400

This program is used to account for operating expenditures relating to transporting pupils to and from school or school activities.

### Desegregation Expenditures - Programs 510 - 515

This program is established to account for the expenditures related to a desegregation plan either court-ordered or by administrative agreement with the United States Department of Education Office for Civil Rights for the purpose of remediating alleged or proven racial discrimination. A separate budget must be maintained for these expenditures. Expenditures must be solely for the purpose of satisfying the compliance with an approved desegregation plan.

### Dropout Prevention Program - Program 530

Eligible districts participated during FY91 in the dropout prevention program as provided under the Laws 1992, Chapter 305. Eligible districts are allowed to budget using local tax monies above their Revenue Control Limit equal to the FY91 budget. The monies must be spent on dropout prevention as outlined in the legislation.

### Career and Technical Education and Vocational Education Center - Program 540

A school district may enter into an intergovernmental agreement (up to three years) with other school districts or community college districts to establish a jointly owned and operated vocational and technical center. The expenses, which are exempt in whole or in part from the revenue control limit as prescribed by [A.R.S. §15-910.01](#), are accounted for in this program.

### K-3 Reading Program - Program 550

Accounts for expenditures from the amount generated by the K-3 Reading support level weight to be used only on reading programs for pupils in Kindergarten and grades one, two and three.

This (M&O) fund is divided into programs. The four main programs are: Regular Education, Special Education, Career and Technical Education, and Pupil Transportation.

### Other Instructional Programs - Program 610 - 630

These programs are used to account for activities that add to a student's educational experience. These activities typically include events and activities that take place outside the traditional classroom. Some examples of such activities are athletics, band, choir, and debate.

### Classroom Site Fund 010

The Classroom Site Fund (CSF), as prescribed by [A.R.S. §15-977](#), was originally established in fiscal year 2002 to account for the portion of state sales tax collections and State Trust Land income provided to school districts as an additional source of funding for teacher salary increases and other specified maintenance and operation purposes. The amount that school districts receive from the State to use at school sites is based on actual tax collections, not to exceed the Joint Legislative Budget Committee (JLBC) annual estimate.

[A.R.S. §15-978](#) establishes the Classroom Site Fund Budget Limit (CSFBL) as the JLBC's current estimate, plus any prior year's unexpended budget balance and interest earnings in the CSF. Budget control is applied at the total CSF level (i.e., Fund 010 expenditures cannot exceed the CSFBL). The restrictions placed on the original allocation of revenues apply in all future years. Therefore, the unexpended budget balance must be carried forward in the CSF special revenue fund.

The CSF is a budget-controlled fund; therefore, districts may make expenditures in the Fund that are within the CSFBL, prior to receiving cash in which case warrants would be registered for the fund.

Laws 2009, 3rd Special Session, Chapter 11, amended [A.R.S. 15-977](#) to require that classroom site fund budget limit be adjusted for any prior year carry-forward or shortfall. For FY2023, the budget amount per weighted student was set at \$711.



The monies in this fund must be used to supplement, rather than supplant, existing monies and must not be used for administrative purposes.

In 2018, the Arizona Legislature passed SB1390 to extend the Classroom Site Fund for another 20 years. In 2021, the Arizona Legislature passed SB1139 which included a few provisions:

- eliminated the requirement to divide the classroom site fund dollars between teacher base salary increases, performance-based compensation and maintenance and operations (menu options)
- expanded the use to include "student support services" as an allowable expense (function 2100)

While school districts no longer are required to distribute the funds in the original 20/40/40 manner, the overarching allowable uses remain the same:

#### Base Salary

Monies in this category can only be used for teacher base salary increases, teacher employment related expenses, and registered warrant expenses for this fund.

#### Performance Pay

Monies in this category can only be used for performance-based teacher compensation increases, teacher employment-related expenses, and registered warrant expenses for this fund.

Each district must adopt a Classroom Site Fund Pay for Performance Compensation Plan on or before December 31st of each year.

#### Other

Monies in this category can only be used for the following maintenance and operation purposes: class size reduction; teacher compensation increases (including base pay and performance pay); assessment intervention programs; teacher development; dropout prevention programs; teacher liability insurance premiums; and student support services.

### Instructional Improvement Fund 020

The Instructional Improvement Fund was established in FY 2003-2004 and consists of monies received from Indian Gaming and interest earned. Districts may utilize up to 50% of these monies for teacher compensation increases and class size reduction. The expenditures for class size reduction, if any, must be appropriate expenditures under function 1000-Instruction, excluding athletics. Monies not used for teacher compensation and class size reduction shall be utilized for the following maintenance and operation purposes:



1. Dropout prevention programs.
2. Instructional improvement programs including programs to develop minimum reading skills for students by the end of 3rd grade.

The monies in this fund may not be used to supplant existing state and local monies. This fund is cash controlled and the monies received in this fund are non-reverting. Therefore, expenditures cannot be incurred prior to the receipt of monies and unspent monies at fiscal year-end may be used in subsequent years.

### County, City and Town Grants Fund 050

This fund is for the accounting of revenues and expenditures of grants received from counties, cities and towns.

### Special Projects Funds 100 - 499

Another category of funds used for operating and capital expenses is called Special Projects. These are federal and state grants which are used for supplemental educational programs, Title I, Title II, IDEA, National Forest Fees, E-Rate, Impact Aid, etc. Guidelines for accounting and reporting of these funds are set forth by the appropriate department of the Arizona Department of Education. Federal grants are recorded in funds 100-399; state grants are recorded in funds 400-499. Refer to the Chart of Accounts for fund numbering requirements.

### Medicaid Reimbursement - Fund 290

This fund is used to account for monies received from Medicaid. Since the original expenditures that result in the Medicaid reimbursement are accounted for in the M&O Fund and the reimbursement in the Medicaid Reimbursement Fund, this fund can be spent for any allowable M&O purpose.

### School Plant Fund 500

#### School Plant Fund - Fund 500

This fund is used to account for the monies derived from the sale of school property before July 1, 1998 or lease of school property for over one year. Limitations related to the maximum amount that can be used from this fund in any fiscal year are detailed in [A.R.S. §15-1102](#). Prior to sale of school sites and facilities, a school district must have a successful election of its voters. Common or high school districts that are bonded in excess of 7% and unified districts that are bonded in excess of 14% of their secondary assessed valuation are subject to specific restrictions as set for in [A.R.S. §15-1102.C](#). Exceptions to the requirement for voter approval to sell property are found in [A.R.S. §15-342](#), paragraph 10.

### Other Funds 510 - 595

#### Food Services - Fund 510

This fund is used to record the financial operations of school activities which have as their purpose the preparation and serving of regular and incidental meals, lunches, breakfasts and snacks in connection with school functions – primarily school cafeteria operations.

#### Civic Center - Fund 515

The governing board of a district may permit the use of school property, under its direction, for civic activities, as defined in [A.R.S. §15-1105](#). Monies received for use of school facilities and the related expenditures are accounted for in this fund. A reasonable fee shall be charged for lease of property, unless the board permits uncompensated use for activities that promote the educational functions of the district. In accordance with [A.R.S. §15-342\(29\)](#), if program needs are met, excess monies may be expended for maintenance and operation or unrestricted capital outlay purposes.

### Community School - Fund 520

This fund is used to account for revenues and expenditures for the purposes of academic and skill development for all citizens in accordance with [A.R.S. §15-1141, 42 and 43](#). This fund can be used to account for such areas as summer school on a tuition basis, GED testing, and adult basic education programs. In accordance with [A.R.S. §15-342\(30\)](#), if program needs are met, excess monies may be expended for maintenance and operation or unrestricted capital outlay purposes.

### Auxiliary Operations - Fund 525

This fund is used to account for revenues and expenditures related to the bookstores and athletic activities in accordance with [A.R.S. §15-1125](#). It can also be used for class fees and miscellaneous classroom collections, such as field trips and book stores. Examples can be found in the USFR.

### Tax Credit - Fund 526

This fund is used to account for revenues and expenditures of monies collected in support of extracurricular and character education activities, standardized test fees, prep classes and CTE assessments. There is a temporary allowability to expend tax credit fund for additional categories such as capital, community food and student health related supplies. This temporary provision expires in June 2024. Contributions to this fund may be taken as a tax credit by the taxpayer in accordance with [A.R.S. §43-1089.01](#). Amounts in this fund should be spent on the activities for which they are collected. In accordance with USFR Memorandum No. 214, districts may choose to account for these transactions in Auxiliary Operations – Fund 525, rather than the 526 fund, however, revenues and expenditures must be reported separately between auxiliary operations and tax credit.

### Gifts and Donations - Fund 530

This fund is used to account for the revenues and noncapital expenditures of gifts, donations, bequests and private grants made to the district ([A.R.S. §15-341\(A\)\(14\)](#)). Fund 650 can be established for gifts and donations for capital items.



### School Opening - Fund 545

This fund is used to account for monies transferred in from the Maintenance and Operation Fund ending cash balance to be expended for maintenance and operation purposes incurred in the first year of operation of a new school within the district. Monies in this fund are not subject to reversion, except that at the end of 5 years without any activity in the fund, any remaining monies must be reverted to the Maintenance and Operation Fund. [A.R.S. §15-943.01](#) Budget balance carry forward must be reduced by amount of the transfer.

### Insurance Proceeds - Fund 550

This fund is used to account for the monies received from insurance claims and the related expenditures ([A.R.S. §15-1103.A.](#)) These funds are primarily for the replacement of capital facilities and equipment.

### Textbooks - Fund 555

This fund is used to account for monies received from students to replace or repair lost or damaged textbooks and library books, supplementary books or instructional computer software. ([A.R.S. §15-729](#)).

### Indirect Costs - Fund 570

This fund is used to account for monies transferred from federal projects, including the Food Service Fund, for administrative costs. A district may use this fund only when it has obtained an indirect cost rate approved by the Arizona Department of Education.

### Unemployment Insurance - Fund 575

This fund is used by districts using the reimbursement (self-insured) method of accounting for unemployment insurance contributions. Deposits are made into this fund based on an appropriate percentage of salaries in various funds. When former employees draw upon their benefits, expenditures are made from this fund to reimburse the Department of Economic Security.

### Advertising - Fund 595

Fund 595 is used to record revenues from the sale of advertising space, such as on the exterior of school buses or on athletic facilities.

### Career Technological and Education Districts - Fund 596

This fund is used to account for revenues received by member districts from Career Technological and Education Districts for use in joint technical education programs.



The governing board of a district may permit the use of school property, under its direction, for civic activities

## Capital Related Funds 600 - 700

### Unrestricted Capital Outlay - Fund 610

The Unrestricted Capital Outlay section of the budget accounts for budgeted expenditures for acquisitions by purchase, lease-purchase, lease or long-term lease of capital items. These are defined in the Uniform System of Financial Records, which include the following areas:

1. Land, buildings, and improvements to land and buildings, including labor and related benefits costs and materials if the work is performed by school district employees.
2. Furniture, furnishings, athletic equipment and other equipment, including software.
3. Pupil and non-pupil transportation vehicles and equipment, including all capital expenditures within a contract, if the district contracts for pupil transportation.
4. Instructional aids, including instructional software.
5. Library books.

Please consult the [USFR Chart of Accounts](#) to help determine whether an item should be coded as to the Unrestricted Capital Outlay Fund.

### Adjacent Ways - Fund 620

This fund is used to account for special property tax assessments used for constructing, maintaining or otherwise improving any public way adjacent to any parcel of land owned by the school district or leased for school purposes by the school district, or an intersection of any public way adjoining a quarter block in which the parcel of land is situated, and for the construction of sidewalks, sewers, utility lines, roadways and other related improvements in or along such streets and intersections. The monies generated from this assessment shall not be used for any construction, maintenance or other improvements to the school district's property except improvements necessary to assure the safe ingress and egress for buses and fire equipment in accordance with [A.R.S. §15-995](#). Unexpended funds can be carried over from year to year and interest earned should be credited to the fund.

### Bond Building - Fund 630

This fund is used to account for proceeds from the sale of bonds following a successful election. The money is used to acquire land, purchase pupil transportation vehicles or pay contractors, consultants, and equipment vendors providing materials and services for facility projects and equipment as designated on an appropriate election ballot. Bond proceeds shall not be expended for items whose useful life is less than the average life of the bonds issued or whose useful life is less than five years. The money not being used to satisfy payments may be invested. Income from investments must be used to reduce the debt service levy rather than add to the funds available for land acquisition, construction or equipment, unless a school district had asked a second question on the bond election ballot which provided authorization from the voters to use the interest earnings for additional bond purchases. (Arbitrage rules may apply if interest earned on investments exceeds interest paid on the bonds issued.) Effective May 31, 2009, interest on the bond building fund can be spend for projects without voter approval if federal laws or rules require the interest to be used for capital expenditures. Districts are limited as to the maximum value of bonds they can have outstanding at any time. Class A Bonds may not be issued after December 31, 2000. After December 31, 1998, districts may issue class B Bonds.

Districts are limited as to the maximum value of bonds they can have outstanding at any time.

School districts may issue class B bonds to an amount in the aggregate, including the existing class B indebtedness, not exceeding 5% (for elementary or high school) or 10% (unified school districts) of the secondary assessed valuation, or \$1,500 per student count, whichever is greater. In addition, the Constitutional debt limit applies to both Class A and Class B bonds. For a common or high school district, the Constitutional debt limit is 15% of its secondary assessed valuation, and for a unified school district, the limit is 30% of its secondary assessed valuation.

### Impact Aid Revenue Bond Building - Fund 639

Bond building funded by Impact Aid Revenues, rather than property tax levies. See Bond Building Fund 630.

### Energy and Water Savings (EWS) - Fund 665

The EWS Fund consists of capital investment monies to fund energy or water saving projects in school facilities. Monies may be deposited in the fund from one or more companies that provide utility, energy, or water services to the district and with whom they have a contract that is designed to save energy or water in that district's facilities. These monies must be used as a designated pool of capital investment monies to pay for the incremental cost of energy or water savings measures in school facilities owned or operated by the district. Expenditures from the EWS Fund should be for projects or measures that save

energy or water in school facilities that are owned or operated by the district and for the repayment to the qualified provider or utility, energy or water services company of capital investment monies deposited into the EWS Fund plus reasonable carrying charges based on the contract. Based on the district's repayment schedule, districts are required to transfer on a monthly basis the amount of the monthly payments to the EWS Fund from the M&O Fund.

### Emergency Deficiencies Correction - Fund 686

This fund accounts for monies received from the School Facilities Oversight Board to correct emergency deficiencies. If a school district has an emergency, the school district shall apply to the School Facilities Oversight Board for funding for the emergency. The school district's application shall disclose any insurance or building renewal monies available to the school district to pay for the emergency. "Emergency" means a serious need for materials, services or construction or expenses in excess of the district's adopted budget for the current fiscal year and that seriously threaten the functioning of the school district, the preservation or protection of property or public health, welfare or safety.

### Building Renewal Grant - Fund 691

The School Facilities Oversight Board distributes the Building Renewal Grant Fund. This fund consists of monies requested by school districts from the School Facilities Oversight Board to maintain the adequacy of existing school facilities.

### New School Facilities - Fund 695

This fund is administered by the SFB and has been established for the purpose of constructing new schools to meet the minimum adequacy guidelines. The criteria to determine district eligibility for monies from the new school facilities fund is based on annual evaluation and approval of district enrollment projections, and the additional square footage that will be needed to maintain adequacy standards in a district. The School Facilities Oversight Board distributes new school facilities monies to school districts based on the following formula: (number of students) x (square footage) x (cost per square foot) = allocation. Land costs are funded in addition to formula funding for new construction.

A school district is the custodian for monies raised by the efforts of students in connection with activities of student organizations and clubs.

### Debt Service - Fund 700

This fund accounts for the accumulation of property tax revenues for the purpose of making payments on long-term debt principal, interest, and related costs.

### Impact Aid Revenue Bond Building Debt Service - Fund 720

Accounts for the accumulation of impact aid monies for the payment of long-term debt, principal, interest and related costs. See Impact Aid Revenue Bond Building – Fund 639

### Other Funds

#### Student Activities - Fund 850

Pursuant to [A.R.S. §15-1121 to 1124](#), a school district is the custodian for monies raised by the efforts of students in connection with activities of student organizations and clubs.

### Employee Insurance Withholding - Fund 855

Employee Insurance Program Withholdings- Accounts for monies received from employees, monies contributed by a district, and monies received from former employees, current and former board members, and board members' surviving spouse and dependents, to be used for the payment of insurance premiums.

### Proprietary Funds

#### Internal Services - Funds 950 - 989

These funds are used to account for revenues and expenditures relating to providing services to other school functions, other school districts, or governmental units. The revenues from the operation of a district services program shall be transmitted to the county treasurer for deposit in the district Internal Services Fund. Districts may employ personnel, purchase supplies and equipment and incur other necessary expenses related to the operation of a district services program. Monies in these funds are not subject to reversion at the end of the fiscal year.

### Intergovernmental Agreements - Fund 955

This fund is used by a fiscal agent to account for monies of an intergovernmental agreement (IGA). Revenues include amounts received from participants.

The USFR Identifies Other Funds that can be established by school districts (Not an inclusive list; refer to USFR for others)

1. Career and Technical Education and Vocational Education Projects - Fund 535
2. Fingerprinting - Fund 540
3. Litigation Recovery Fund - Fund 565
4. Teacherage - Fund 580
5. Insurance Refund - Fund 585
6. School Plant Fund Special Construction - Fund 640
7. Gifts and Donations (for capital purposes) - Fund 650
8. Condemnation - Fund 660
9. Trust Funds - Funds 801-849
10. Enterprise Funds - Funds 901-949

# Glossary

Annual Financial Report (AFR) - An annual comprehensive financial reporting due to ADE by October 15. The AFR includes budget and actual summary information for revenues, expenditures and fund balances for all district funds.

Approved Daily Route Miles - The actual total route mileage to transport eligible students to-and-from school divided by the total school days, and is based on prior year. For FY2021-22 actual daily route miles for funding purposes reflects daily route miles to transport students in FY2020-2021.

Arizona Association of School Business Officials (AASBO) - A professional organization made up of school employees who work in the business support areas, in the State of Arizona. AASBO is an affiliate of the Association of School Business Officials – International (ASBO International)

Arizona Department of Education (ADE) – This agency operating under the direction of the Superintendent of Public Instruction, provides direct services to school districts. The agency executes the policies of the State Board of Education and the State Board of Vocational and Technological Education – implementing state academic standards; administering statewide assessments; disseminating information; administering and allocating federal and state funds; and providing program improvement assistance to schools and districts.

Average Daily Membership (ADM) - A method of counting the number of enrolled students based upon the first 100 school days in session. As examples: a student who enrolls 5 days after the start of the school year =  $95/100 = .95$  ADM, a kindergarten student who only attends school for one-half (1/2) of the day = .50 ADM, a high school student who attends only 3 of the required 4 class periods =  $3/4 = .75$  ADM. ADM is a key component in the school finance funding formulas.

AzEDS – Arizona Education Learning and Accountability System - The administrative application that collects student detail information from school districts through the Internet. The district's ADM and other attendance data is generated from this system. This system replaced SAIS (Student Accountability Information System).

Base Level – An amount determined annually by the Arizona Legislature per 1.0 weighted ADM. This amount is part of the RCL calculation.

Budg25 – An ADE generated report that assists districts in analyzing their expenditure budgets. The district's submitted budget is compared to ADE calculations. Differences indicate a need for the district to provide additional information to ADE or revise the budget.

Budg75 - An ADE generated report that assists districts in analyzing their prior year budget balance. The district's submitted Annual Financial Report data is compared to ADE calculations. Differences indicate a need for the district to provide additional information or make adjustments in order to accurately reflect budget balance carry forward or over expenditure.

Concurrency – A concurrency occurs when a student is enrolled in two or more district or charters at the same during the same year. If a valid concurrency exists between a charter and a non-charter and both have validated the concurrency as true, the state will allocate the ADM between the two based on the actual enrollment in both the district and charter.

Current Year - Current budget year.

District Additional Assistance (DAA) – The Arizona Legislature combined the Soft Capital Allocation and Capital Outlay Revenue Limit Allocation into a single allocation. This allocation can be placed into the M&O fund or the Unrestricted Capital Outlay fund. The Soft Capital Allocation fund has been eliminated.

District Support Level (DSL) – The Base Support Level (BSL) plus the Transportation Support Level (TSL).

Equalization Assistance – The amount of money that the state and county provide to school districts over and above the Qualifying Tax Levy (QTL) to ensure that the revenues available for district budgets are shared equitably.

Fiscal Year – For Arizona schools, is July 1 through June 30 of each year.

GDP Price Deflator – The average of the four Implicit Price Deflators for the Gross Domestic Product (GDP) reported by the United States Department of Commerce for the four quarters of the calendar year.

## Glossary cont.

Grants Management - ADE department that ensures the proper allocation, distribution, and expenditure of all federal and state funds administered by ADE. They process grant budget applications, revisions, cash management reports and completion reports.

[Link to ADE Grants Management](#)

Group A – Educational programs for career exploration, a specific learning disability, an emotional disability, mild mental retardation, remedial education, a speech/language impairment, homebound, bilingual, preschool moderate delay, preschool speech/language delay, other health impairments and gifted pupils.

Group B – Educational improvements for pupils in kindergarten programs and grades one through three, educational programs for autism, a hearing impairment, moderate mental retardation, multiple disabilities, multiple disabilities with severe sensory impairment, orthopedic impairments, preschool severe delay, severe mental retardation and emotional disabilities for school age pupils enrolled in private special education programs or in school district programs for children with severe disabilities or visual impairment and English learners enrolled in a program to promote English language proficiency. Gifted was added in FY22 and students eligible as free and reduced (FRPL) was added in FY23.

K3 Reading - Move on when reading program.

M&O – A common acronym for the Maintenance and Operation fund, Fund 001. Calculation of this budget is formula driven. This budget is used for most of the day to day expenditures of a school district.

Prior Year - Prior budget year.

Qualifying Tax Rate – QTR - A hypothetical tax rate that is multiplied times the Primary Assessed Valuation and Assessed Valuation for SRP properties to determine the local tax levy effort required before a district is eligible for equalization assistance. The QTR is adjusted annually, based on an inverse relationship to the assessed valuation for the entire state.

School Facilities Oversight Board (SFOB) – An Arizona government entity created in 1998 to oversee building

new schools (fund 695), building and capital deficiencies and building renewal (fund 690). [Link to SFOB](#)  
Student Accountability Information System (SAIS) – This system is decommissioned and replaced by AzEDS.

Student Count – Current Year (CY) ADM, Special Education (SPED) and English Language Learners (ELL) student counts are used in calculating the Base Support Level for state aid purposes and Revenue Control Limit (RCL). Exception for overrides, budget overrides are a percentage of the RCL which is based on the prior year ADM, SPED and ELL student counts.

Students FIRST – Students Fair and Immediate Resources for Students Today – 1998 legislation that created a new capital financing system aimed at creating minimal adequacy standards for capital related issues in public schools. Administered by the School Facilities Oversight Board.

Title 15 – A compilation of selected education laws passed by the Arizona State Legislature.

[Link to Statutes](#)

Uniform System of Financial Records (USFR) – A publication that is a joint responsibility of the Arizona Auditor General and ADE. This document interprets Arizona Title 15 and contains the guidelines and directions by which Arizona schools must financially comply.

[Link to USFR](#)

USFR Memorandum - Issued by the Auditor General to update the USFR manual between major revisions. These are available on the Auditor General's website or via e-mail.

Weights – A multiplier that is applied to an ADM number to allow for variable educational costs based on certain classifications of students.



A: Autistic	K–8: Kindergarten through Eighth Grade
AASBO: Arizona Association of School Business Officials	K–12: Kindergarten through Twelfth Grade
ACFR: Annual Comprehensive Financial Report (which replaced the previous Comprehensive Annual Financial Report)	M&O: Maintenance and Operation
ADA: Average Daily Attendance	MIID: Mild Intellectual Disability
ADE: Arizona Department of Education	MD: Multiple Disabilities
ADM: Average Daily Membership	OAG: Office of the Auditor General
AFR: Annual Financial Report	OHI: Other Health Impairments
AGO: Attorney General Office	OI: Orthopedic Impairment
AOI: Arizona Online Instruction (formerly TAPBI)	PFP: Pay for Performance
ARS or A.R.S.: Arizona Revised Statute	PSD: Pre-School with Disabilities
ASBA: Arizona School Boards Association	QTL: Qualifying Tax Levy
A.V.: Assessed Value	QTR: Qualifying Tax Rate
BBCF: Budget Balance Carry forward	R: Resource
BSL: Base Support Level	RCL: Revenue Control Limit
CEC: Certificates of Educational Convenience	SAIS: Student Accountability Information System
CORL: Capital Outlay Revenue Limit	SC: Self-Contained
CPI: Consumer Price Index	SDER: School District Employee Report
CSF: Classroom Site Fund	SFOB: School Facilities Oversight Board
CTED: Career Technological Education District	SLD: Specific Learning Disability
DAA: District Additional Assistance	SLI: Speech/Language Impairment
DD: Developmental Delayed	SID: Severe Intellectual Disability
DSL: District Support Level	Students FIRST: Fair and Immediate Resources For Students Today
ED: Emotionally Disabled	TANS: Tax Anticipation Notes
ELL: English Language Learners	TEI: Teacher Experience Index
ESY: Extended School Year	TRCL: Transportation Revenue Control Limit
FRPL: Free and Reduced Lunch	TSL: Transportation Support Level
G: Gifted	USFR: Uniform System of Financial Records
GDP: Gross Domestic Product	
K: Kindergarten	
K–3: Kindergarten through Third Grade	

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