



Chapter 1

Introduction

Purpose of this Guide

The *Forum Guide to Core Finance Data Elements* is intended to help readers better understand common finance data elements and measures derived from these data elements. Included in this guide are terms, definitions, adjustments, and common uses for these data elements and measures.

This guide is intended to serve as a reference for public and private education agencies and schools—for educators and managers using school finance data, as well as researchers, policymakers, and the general public. This guide is supplemented by the companion National Center for Education Statistics (NCES) handbook: *Financial Accounting for Local and State School Systems: 2003 Edition* (U.S. Department of Education 2003), which provides more extensive and detailed definitions of finance data elements categorized by account code as well as more detailed accounting information and guidelines.

Additionally, this guide contributes to the series of NCES Forum guides that address elementary and secondary education data-related topic areas to help state and local educators and policymakers better understand key education data and their uses. These Forum guides are developed with direct input from state and local educators so that appropriate topics and issues are addressed and to ensure that the information is focused to best meet the needs of the reader.

The terms, definitions, and procedures recommended in this handbook represent the combined best judgment of the many professionals who participated in its cooperative development. The content is presented as sound practices or principles that should be interpreted and applied according to local, regional, state, and federal needs and requirements. Each school or administrative unit should determine its own information requirements and specific processing procedures with guidance from its state education agency and in support of the policies of its governing board and administrative officers. The data elements in this guide represent the most basic essential information concerning education finance that could be maintained at a school or district level for purposes of financial reporting and to make finance-related decisions. Basic definitions of accounting and finance terms used in this guide can be found in the *Financial Accounting for Local and State School Systems: 2003 Edition* (U. S. Department of Education 2003), Barron's Business Guides: *Dictionary of Accounting Terms* (Siegel and Shim 2005), and Barron's Financial Guides: *Dictionary of Finance and Investment Terms* (Downes and Goodman 2006). Additional relevant financial information can be found in the Government Finance Officers Association's *Governmental Accounting, Auditing, and Financial Reporting* (Gauthier 2005).

Contents of this Guide

Chapter 2 of this guide provides general information about basic concepts and terms used in school finance reporting as well as several federal data collections. This information includes descriptions of the collections, useful online tools for data analysis, and differences in the federal collections and their respective reporting requirements. Overview descriptions of finance data element categories are also provided. Chapter 3 identifies the key finance data elements by category and defines common finance measures that utilize these finance data



elements. Definitions of pupil counts that are used for per pupil expenditure calculations are included. Chapter 4 contains a discussion of the methods for incorporating accounting and non-accounting finance elements as measures of financial condition, funding equity, and other education-related indicators. Additionally, common economic adjustment indexes are described. Information on federal dollars for education and data requirements is presented in appendix A. NCES education finance collection elements and key calculations are identified in appendix B, and differences between NCES and U.S. Census Bureau federal finance data collections are described in appendix C.

Common Uses of Finance Data

Education finance data provide powerful information for decisionmaking, policymaking, and evaluation within and across education systems. Uses can be far-ranging from state and national comparisons to individual school level management of resources. Below are four broad areas for which finance data are commonly used: reporting, management, budgeting, and research.

External and Internal Reporting

School districts play a central role in most of our communities. They are often one of the largest employers with responsibility for significant public resources. Few governments have as much impact on citizens as school districts.

Because of its prominent role, a school district must be responsive to policymakers, other governmental entities, special interest groups, taxpayers, and citizens monitoring the activities of the district. The foundation of accountability in the use of resources is the reporting function. Information provided through government reports facilitates the public's oversight of the efficient and effective management of the school district.

To achieve the necessary public accountability reporting, in addition to other descriptive reports many school districts prepare financial statements or reports to achieve a number of purposes. School districts use financial statements to support state or federal aid applications; report financial activities to parent, taxpayer, and citizen groups; and prepare a financial report for use in an official statement for bond issuance purposes.

Among the most important types of communication is the annual financial report, which presents the financial position, operating results, and cash flows for a particular accounting period. All governments, including school districts, develop their annual financial reports in accordance with principles established by standard-setting authorities to provide consistency and comparability for users.

For the school district to achieve the objective of accountability, finance information must be available, relevant, reliable, and understandable. Additionally, financial reports and statements must satisfy numerous and diverse needs or objectives, including short-term financial position and liquidity, budgetary and legal compliance, and issues having a long-term focus, such as capital budgeting and maintenance. Specifically, the information provided should contribute to accountability in the following areas, depending on the specific purpose of the report: financial position and results of operations; actual financial results compared with adopted budgets; compliance with finance-related laws, rules, and regulations; efficiency and effectiveness of operations; and maintenance of governmental assets.

In addition to these needs and objectives, school districts also face a number of unique reporting requirements. These include student attendance, student activity funds, U.S. Department of Education reporting requirements, site-based management initiatives, and accountability requirements for state and national reform efforts. Each of these factors requires specific finance data elements and a variety of reporting mechanisms.



Management

Successful management of any education system requires extensive and effective use of information. Education finance data as a management tool is most commonly used at the school and school district level. Financial reporting for management is based upon the internal control structure within the school district. Internal control is the process designed to provide reasonable assurance of the effectiveness and efficiency of operations, compliance with applicable laws and regulations, and the reliability of the financial reporting system.

Internal control components most closely associated with the internal use of finance data elements are information, communication, and monitoring of operations. Information and communication represent the identification, collection, and reporting or exchange of information in a form and time frame that enable management to plan and control operations to ensure effectiveness and efficiency within the district. Through monitoring of operations, the data elements and respective measures are used to assess performance over time by measuring progress and operating results, and by assessing the variances between planned and actual results. The frequency and complexity of management reports are based on the size of operations, the organizational structure, the degree of decentralization, and the operating environment.

Internal financial reports are designed to meet management's specific information needs and usually contain more detailed information than reports prepared for external users. In addition, management may have specialized information needs, which must be captured and reported. Reports prepared for managers need not follow the standard reporting formats required by the accounting profession for external financial reports.

Budgeting

Budgeting is the process of allocating finite resources based on the prioritized needs of an organization. Budgets are important tools not only to establish limitations on expenditures for a given time period, but also to control and evaluate sources and uses of resources. Adoption of a budget for an education organization is based on a set of decisions made by governing boards or entities and represents a final agreed-upon financial policy authorizing expenditures. Budgets are developed for decision-making based upon basic revenue, past expenditure, and other data elements. Through authorized budgets and established accounting systems, administrators use these finance data elements to monitor and control activities and evaluate financial performance by comparing actual expenditures to budgeted figures over the course of the budget time period.

The budget process is critical to the effective management of a school district's operations. Key activities include accurate projections of student enrollment, the basis for formula-driven revenues. In addition, other types of revenues must be properly forecast to establish a realistic plan for the subsequent fiscal period(s).

Budget limitations are factors that affect the resources available to a school district either through the amount or timing of revenues, or by limiting the amount of discretionary expenditures. These factors may originate at the local, state, or federal levels through legislation, court-enacted provisions, negotiated contract agreements, or general economic conditions.

The local government structure may create budget limitations and constraints for a school district. Some states have dependent school districts, whereby other government bodies, such as cities or municipalities, may establish the school district budget. In other states, districts are independent governmental entities. Independent districts may experience fewer financial constraints because they have authority to generate local revenues. However, these districts may still be subject to tax or spending limitations established by state or local law, including balanced budget requirements. The constraints may exist in the form of mandated tax-rate or spending caps, or



through local referenda in which voters determine the tax rates. Additionally, involvement of the public in the legal process used to establish the school district budget provides oversight and accountability.

At the state and federal levels, respective legislatures and courts can enact requirements or mandates that financially affect school districts. While additional funding may be provided to implement the requirements, school districts must sometimes reallocate discretionary funding in order to be in compliance.

State and federal revenues are generally allocated to school districts based on laws and regulations. School districts are required to spend the dollars in accordance with any restrictions associated with these laws and regulations. Similarly, earmarked revenues, such as categorical grants, are restricted in their use. School district spending may also be constrained by laws pertaining to the ability to maintain and carry over fund balances.

Major negotiated contracts and related certification requirements also have a budgetary impact. Multi-year employee salary and benefit agreements may encumber future resources in order to provide the associated increases. State laws regarding licensure and certification may also affect a district's hiring processes and ability to recruit and retain necessary personnel. Some states have minimum salary schedules, which also constrain school district budgetary resources.

Finally, the budget of any government is subject to changes in economic conditions. The relative share of local to state revenues determines to some degree the impact that the economy may have on a district. Ad valorem property taxes are a more stable type of tax, and are often a major source of funding for public education. In most states, revenues from sales tax, income tax, or both are the sources for the state support of education. Both of these taxes are more readily affected by changes in the economy. Therefore, the greater the share of state revenues, the more susceptible the budget is to variations in economic conditions.

Research

Education researchers across the nation commonly rely on district- and state- level education finance data as well as other education data to test and evaluate new concepts in education finance and other areas. Such research provides useful information, tools, and theories that can be used for policymaking and evaluation, and supports reform efforts at the district, state, and federal levels.

Emerging Importance of Use for Managing Education Enterprise

The comparability of accounting structures is important to the usefulness of finance information. State and local education systems must be responsive to a number of different external groups and organizations, including elected officials, creditors, and citizens who are focused on external monitoring of the systems' activities as a basis for accountability. Additionally, education systems must internally monitor activities in order to effectively administer programs and efficiently operate the system. All forms of internal and external monitoring include collecting and interpreting data, often through information provided in financial reports. Among the most important types of communication is the annual financial report, which presents the financial position, operating results, and cash flows for a particular accounting period. These reports are prepared in accordance with principles established by standard-setting authorities to provide consistency and comparability for users.

For an education system's reported results of financial accountability to be usable both internally and externally, the finance information must be consistent over time, such that reliable trends can be developed and analyzed to determine changes in the education system's position relative to its financial objectives. Additionally, finance information must be comparable across similar education systems (e.g., Local Education Agencies (LEAs) within



a state, or schools within an LEA) so that within-system finance comparisons can be made to address and meet system-wide objectives.

Integration of Finance Data with Student and Staff Data

Historically, the development of information systems in school districts typically has been highly self-contained. Financial systems, personnel systems, and student information systems have been developed independently of one another. These systems also have operated independently with few, if any, ways to easily link them. Each non-integrated system usually is managed by a different office within the district. Student information systems have supported such areas as report cards, student scheduling, institutional research (membership, etc.), and other similar areas. Staff information systems traditionally have been used for tracking all personnel-related functions, such as federal-compliance reporting functions,¹ teacher qualifications, functions related to leave, and payroll functions. Finance information systems are used for, but not limited to, tracking payroll expenditures, paying bills, and retaining a balance of available fiscal resources versus desired expenditures.

However, the recent focus on student learning (as evidenced by the No Child Left Behind Act and requirements to demonstrate adequate yearly progress) has brought about the need for a higher level of integration across the student and staff information systems. Questions such as “What percentage of students enrolled in core subjects are taught by highly qualified teachers?” imply that the student and staff information systems can communicate. Extending this question to “What does it cost to have all teachers providing instruction in core courses be highly qualified?” requires the integration of the student, staff, and finance information systems. More recent developments, such as the Education Data Exchange Network (EDEN) being developed by the U.S. Department of Education, provide additional reasons for education data systems to become more integrated. EDEN will collect and manage the education data that reside in a number of different information systems, such as achievement and performance statistics, school characteristics, demographics, and program finance data.

Return on Investment

The emerging application of the business measure of “return on investment” or similar evaluative comparisons to education has created an even stronger need for bringing together student, staff, and finance information systems. This type of calculation done at the school level involves a comparison of return (as measured by student learning gains on an annual basis or other student assessment results) from the student database versus the investment as measured by costs of the operation (current expenditure per pupil) for achieving those gains. Return on Investment measures can also involve the type of staff in those schools, which, by necessity, requires the association of the personnel system with the student system.

Audiences

As costs continue to increase in public education, the pressures for greater accountability also grow. As indicated earlier in this guide, finance data are a primary tool to assess accountability. Greater accountability means that the audience of people and organizations interested in education finance continues to expand. Major consumers of education finance data typically can be classified into five major groups. These are: (1) the public; (2) oversight bodies, such as school boards, legislatures, policymakers, and state education agencies; (3) those who are involved in the lending process, such as investors or creditors; (4) leadership and managers of education systems at the district and school level; and (5) researchers. Each of these groups has both different and common needs for information regarding an education system. All are concerned with the design and implementation of an education system that is both programmatically and fiscally effective and efficient.

¹ As required by the U.S. Equal Employment Opportunity Commission (EEOC).

Chapter 2

Basic Concepts and Terms in Federal Reporting for School Finance



Education finance data for elementary and secondary school systems are reported to local, state, and national entities. At the local level, reporting is generally to the local school board and local education leadership, while state-level reporting is generally to the state education agency (SEA). Other reporting may be made to various organizations based on specific state and local situations. At the national level, finance data are generally reported to NCES and the U.S. Census Bureau. Their role is to collect and publish comprehensive national education data. Certain finance data are reported to education program offices within the U.S. Department of Education that provide grants to state and local education systems. This information is used to determine grant eligibility and allocations. Internet locations of available finance data collected by these government entities are identified in the following discussion. Tools to group and perform basic data analyses also are described. It should be noted that NCES continues to update the tools available online for users of the data that NCES publishes.

National Center for Education Statistics

The NCES website (<http://www.nces.ed.gov>) provides the general gateway to the Common Core of Data (CCD) and other education finance data elements collected by or through NCES. The CCD is the U.S. Department of Education's primary database on public elementary and secondary education in the United States. Within this website, the link to the CCD (<http://nces.ed.gov/ccd>) provides the main portal to NCES school finance data. From this link, data can be accessed regarding all public schools, public school districts, and SEAs in the United States. Data are collected from a series of surveys providing both fiscal and nonfiscal data. These data are supplemented by school district level fiscal data collected through the Census Bureau's F-33 report (described later in this chapter). CCD data include information that describes schools and districts, such as mailing and location information, student and staff information, demographics, and fiscal data. All of these are integrated into the CCD database. Data from the most current data collection as well as past collections are available for viewing and downloading. A direct link to CCD data files and documentation can be found at <http://nces.ed.gov/ccd/ccdata.asp>.

Additional resources or tools available in the CCD link of the NCES website include:

- Search for Public Schools;
- Search for Public School Districts;
- Build a Table;
- Public School District Finance Peer Search;
- Public School District Longitudinal Data Tool;
- Address Files; and
- Data Files.

The following sections of this chapter briefly describe each of these resources.



Search for Public Schools and Search for Public School Districts

These CCD tools allow the user to identify and find addresses, phone numbers, and other demographic information for schools and districts as well as their respective NCES and state ID codes. Minimal information is needed to browse listings and identify the appropriate school or district. These search tools can be found at <http://nces.ed.gov/ccd/schoolsearch/> and <http://nces.ed.gov/ccd/districtsearch/>.

Build a Table

This tool allows the data user to create customized user-specified tables of CCD public school data by selecting data elements, years, states, districts, and schools, among other parameters. Tables can be printed or downloaded in various formats. Build a Table allows the user to obtain necessary information without having to work with the complete CCD dataset. This search tool can be found at <http://nces.ed.gov/ccd/bat/>.

Public School District Finance Peer Search

This tool enables the data user to compare finances of a selected school district to districts that are identified as peers based on several fiscal and nonfiscal data elements. Peers can be selected automatically by preset criteria, or the data user can specify financial criteria by which to identify a set of peer districts. This search tool can be found at http://nces.ed.gov/edfin/search/search_intro.asp.

Public School District Longitudinal Data Tool

This application uses data from the NCES Longitudinal School District Fiscal-Nonfiscal File, Fiscal Years 1990 to 2002. The agencies included in the fiscal-nonfiscal data file are limited to regular school districts in the 50 states and the District of Columbia. Education service agencies, non-operational districts, and districts that are exclusively for special education, vocational education, or charter schools are not included in the data file. To facilitate longitudinal analyses and comparisons, districts that serve only the elementary school grades were linked to the secondary school districts that take their students. The data from these linked districts were aggregated to create “unified” elementary-secondary school districts. The data for these unified districts are used in this application. This tool can be found at <http://nces.ed.gov/edfin/longitudinal/index.asp>.

CCD Address Files

These are not data tools but they are useful files that contain the names, mailing addresses, and phone numbers for each public school and each school district. They are designed for mass mailings and other commercial uses. The files include a limited amount of information, such as grade range, enrollment, and locale code, to help users target certain types of schools or districts. These address files can be found at <http://nces.ed.gov/ccd/address.asp>.

CCD Data Files

These are not data tools, but they are files that contain all of the data collected through the CCD system. Detailed file documentation, definitions, and survey methodologies are available. These files and information can be found at <http://nces.ed.gov/ccd/ccddata.asp>.



U. S. Census Bureau

The Census Bureau provides online school district finance data that it collects as part of its Annual Survey of State and Local Governments (also known as the F-33 survey). These data are collected on a nationwide scale using common definitions and procedures. They provide information on local revenues by source, and state and federal revenues by program. Expenditures by function, with breakouts of salaries and benefits by function and information on debt, are also collected. This data collection is coordinated with NCES, which uses the information to provide CCD school-district-level finance data. School district records can be matched to the CCD Local Education Agency Universe (nonfiscal) Survey, enabling data users to match information about students and education staff with the finance data. NCES also makes adjustments to F-33 data that are described later in this guide. F-33 data information can be found at <http://www.census.gov/govs/www/school.html>.

U.S. Department of Education Federal Program Listing

Several federal education programs collect and report data related to program eligibility and other factors necessary to determine program allocations. Information on these programs, including associated finance and other data collected and reported, can be found at the U.S. Department of Education website <http://www.ed.gov/programs>. Specific programs can be searched by program title, eligibility, subject, or type of assistance provided (for example, formula grants, loans, contracts, etc.) The Catalogue of Federal Domestic Assistance (CFDA) provides an alternative method to search for federal program information. It includes links to the U.S. Department of Education website information for federal programs. CFDA information and links can be found at <http://www.cfda.gov>.

Accounting Standards

It is important to maintain consistency in accounting terms in order to ensure accurate and comparable data. Consistency in financial reporting by governments is provided through accounting standards. The Governmental Accounting Standards Board (GASB) is the standard-setting authority for generally accepted accounting principles (GAAP) for state and local governments, including school districts. In cases for which no GASB pronouncement is applicable, other authoritative sources of guidance exist. The *Financial Accounting for Local and State School Systems: 2003 Edition* (U.S. Department of Education 2003) represents a national set of standards and advice for school system accounting, incorporating guidance from GASB statements up to and including statement 39. Its purpose is to help ensure that education fiscal data are reported comprehensively and uniformly.

Special Considerations for Elementary and Secondary Education Financial Reporting

In addition to national-level data collection, finance data are collected and reported at the school district and state levels as required by state and local governments. This financial information is often made available to the public through reports, documentation, and websites. Care and attention must be exercised when using data from multiple sources for comparisons across school districts or states, since terminology can differ widely. Each state has its own definitions and legislative mandates for reporting that may not be directly comparable across geographic areas.

Differences in data reporting may exist between national data collections for legitimate reasons. Three key examples of these differences are found in the data reported in: (1) the U. S. Census Bureau's *Survey of Local Governments: School Systems* (F-33) survey; (2) the NCES CCD *Local Education Agency Finance Survey* (F-33) data; and (3) the National Public Education Financial Survey (NPEFS). Brief descriptions of these data collections are provided below, followed by a summary of differences in reporting and definitions. More detailed descriptions of several of these differences are provided in appendix C.



Data Collection and Reporting Descriptions

CCD Local Education Agency Finance Survey

This survey, commonly called the F-33, is the *Survey of Local Governments: School Systems* at the Census Bureau. It is an annual collection of school district finance data. Local revenues by source and state and federal revenues by program are collected on the F-33. Expenditures by function, with breakouts of salaries and benefits by function and information on debt, are also collected. The F-33 data items are referenced to the NCES *Financial Accounting for State and Local School Systems* handbook (U.S. Department of Education 2003). School district records can be matched to CCD Local Education Agency Universe (nonfiscal) Survey, enabling data users to match information about students, staff, and institution characteristics with the finance data.

The F-33 has been augmented to satisfy CCD requirements, and thus provides data for both the Census Bureau and NCES. The survey has been a part of the Census Bureau's Survey of Local Governments for many years, originally conducted as an annual sample survey, with data collected from the universe of school districts in years ending with "2" or "7." NCES began publishing data provided from the F-33 in FY 1988 (school year 1987-88). Beginning with FY 1995 (school year 1994-95), the F-33 was changed to an annual collection of finance data from the complete universe of school districts. The survey content was also expanded to collect revenues from several federal education programs and to distribute state payments on behalf of school districts (also called direct support) to the function level data. The F-33, although collected by the Census Bureau, is included as a CCD survey. Since NCES makes adjustments to the Census-collected F-33 for reasons of comparability with other CCD data collections, there are differences between the Census Bureau and NCES versions of the F-33 data. These differences are outlined in table 1: Comparison of differences in major national finance data collections and publications.

The CCD Local Education Agency Finance Survey data files can be downloaded from the NCES website: <http://nces.ed.gov/ccd/f33agency.asp>. Detailed information about the data items, data collection, processing, and editing are included in the general documentation for each year of the survey. The Census Bureau F-33 data files and documentation are available from the Bureau's website at: <http://www.census.gov/govs/www/school.html>.

CCD National Public Education Financial Survey

This survey, commonly called NPEFS, is an annual collection of state-level finance data. The CCD has included an annual state-level finance collection since FY 1982 (school year 1981-82). This survey reports many of the same data items as the F-33, but there are differences between the two collections. The NPEFS does not include state and local revenues by program whereas the F-33 does include this information. The NPEFS also provides function expenditures by salaries, benefits, purchased services, and supplies, while the F-33 provides only salary and benefit function expenditures. Many local revenue data items are reported differently in the NPEFS than in the F-33. Also, the NPEFS does not have the breakdown of state revenues that is found in the F-33, and the NPEFS reports federal revenues by how they are distributed to school districts. The NPEFS survey does not contain the detailed debt items that the F-33 survey includes. The NPEFS collection also includes data on state-run schools and data for other jurisdictions (such as Puerto Rico and America Samoa) that are excluded from the F-33. (Note that neither survey includes expenditures for the SEA.) More detailed information on the differences between the NPEFS and F-33 can be found in Table 1 and appendixes B and C.

The NPEFS data files are available at the NCES website: <http://nces.ed.gov/ccd/stfis.asp>. Information about the data items, data collection, processing, and editing is in the general documentation for each year of the survey.



Table 1—Comparison of differences in major national finance data collections

Item	F-33 Census	F-33 NCES	NPEFS
Geographic Areas	50 U.S. states	50 U.S. States	50 U.S. states, the District of Columbia, Puerto Rico, American Samoa, Guam, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands
State Payments on Behalf of School Districts	Only aggregated to the following expenditures: Total, Current, Total instructional, Total support services, Salaries across all functions, Enterprise operations and benefits, Total capital outlay, Construction, and Land and Buildings	Included in all data items	Included in all data items
Types of Charter Schools	Only includes Charter Schools identified as local government units*	Includes all charter schools**	Includes all charter schools**
Private Schools	Only includes public support for private schools	Only includes public support for private school	Only includes public support for private school
Expenditures on State-run Schools	Excluded	Excluded	Included
Debt-related Expenditures	Includes interest payments on debt	Includes interest payments on debt	Includes interest payment on debt but not detailed debt items, which are included in the F-33 NCES and Census versions
State and Local Revenues	Some revenues which NCES categorizes as state are categorized as local by the Census Bureau. The same is true for local revenues.	NCES categorizes state and local revenues as they are identified by each state submitting data	NCES categorizes state and local revenues as they are identified by each state submitting data
Student Counts	Fall enrollment	Fall enrollment	Average Daily Attendance (ADA)

* A charter school with an oversight board or entity that is either elected or appointed by an elected official is considered a government unit.

** NCES requests that states include all charter schools for these collections and reports. Most states comply with this request.

*** Private institution expenditures are estimated.

NOTE: Fall enrollment counts are collected from the CCD local education agency universe (nonfiscal) survey and are used by both NCES and the Census Bureau. Fall enrollment is not collected in the NPEFS; however, fall enrollment is included in the NPEFS data file and is collected from the CCD state nonfiscal survey.



The NPEFS data are used in calculating several federal program allocations. It must be noted that a complete, signed,² NPEFS survey must be received from the SEA by the Tuesday following Labor Day of the collection period. After that date, only revisions resulting in a decrease in State per Pupil Expenditure (SPPE) may be accepted for Title I and other federal program funding purposes. SPPE is discussed later in this guide.

Differences in Reporting

Within the three national school finance data collections (Census, F-33, and NPEFS), the primary differences can be categorized into four broad areas: (1) how finance data elements are included or excluded from the collection; (2) how data elements are aggregated to derive common finance measures, such as total expenditures; (3) how data elements are categorized by source, such as the classification of certain revenues as being local revenues in one data collection and state revenues in another; and (4) how different methodologies are used for deriving measures (for example, whether to use average daily attendance or fall enrollment as a pupil count for per pupil expenditure calculations).

Specific differences between these collections include:

- **Items included or excluded from the collection**
 - Types of charter schools
 - Private schools
 - Expenditures on state-run schools
 - Debt-related expenditures
- **Items aggregated differently**
 - State payments on behalf of school districts
- **Differences in source classification**
 - State and local revenues
- **Differences in methodology**
 - Student counts (fall enrollment, daily attendance)

Table 1 compares these differences among the three data collections as well as how the data are reported in other NCES publications. A more detailed listing of data element differences between the F-33 Census Bureau and NCES versions is presented in appendix C.

² Digital signatures are accepted.



Finance Data Element Classifications

Most key finance data elements can be classified as account codes. Chapter 6 of *Financial Accounting for Local and State School Systems: 2003 Edition* (U.S. Department of Education 2003) established a hierarchical account code structure that provides for accurate and effective reporting of financial activities along with flexibility to segregate and group accounts to produce the most useful financial statements.

The remainder of this chapter briefly describes several key account code groupings used in education finance and provides a summary of adjustments that can be made for comparability. Chapter 3 provides a more detailed presentation of these and other account code groupings, as well as specific finance data elements identified by the NCES finance task force as being key data elements.

Funds

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds are categorized into different classifications depending on the purpose or activity associated with the respective fund.

Revenues

Revenue is an increase in the assets or a decrease in liabilities during an accounting period, primarily from operating activities (Siegel and Shim 2005). Revenues are usually classified by source as indicated below:

Federal

Revenues from the federal government include direct grants-in-aid to schools or agencies, funds distributed through a state or intermediate agency, and revenues in lieu of taxes to compensate a school district for nontaxable federal institutions within its boundary.

State

Revenues from the state government include both direct funds from state governments, restricted and unrestricted grants-in-aid, and revenues in lieu of taxation. Revenues in lieu of taxes are paid to compensate a school district for nontaxable state institutions or facilities within the district's boundary.

Intermediate

Intermediate revenues come from sources that are not local or state education agencies, but operate at an intermediate level between local and state education agencies and possess independent fund-raising capability. These revenues include restricted and unrestricted grants-in-aid, and revenues in lieu of taxation.

Local

Local revenues are funds collected and given to school districts without further allocation by the state government. These include revenue from local property and non-property taxes, investments, student fees and charges, and revenues from foundations and trusts, as well as other donations.

Additionally, revenues can be more explicitly identified by specific sources, such as local property tax revenues.



Expenditures

Expenditure is a decrease in net financial resources. In governmental funds, the recognition of expenditures occurs in accordance with the modified accrual basis of accounting. A more in-depth description of expenditure can be found in *Financial Accounting for Local and State School Systems: 2003 Edition* (U.S. Department of Education 2003; pages 69-70). Expenditure is delineated into categories of functions, objects, and programs, as defined below.

Function

Function describes the activity for which a service or material object is acquired. The functions of a school district are classified into five broad areas: Instruction, Support Services, Operation of Non-Instructional Services, Facilities Acquisition and Construction, and Debt Service. Functions are further classified into sub-functions.

Object

The object classification is used to describe the service or commodity obtained as the result of a specific expenditure. Major object categories include: Personal Services—salaries; Personal Services—employee benefits; Purchased Services, Supplies; Property; Debt Service and Miscellaneous; and other items. These categories can be further classified by sub-object.

Program

A program is a plan of activities and procedures designed to accomplish a predetermined objective or set of objectives. Nine broad program areas are identified in this guide that are intended to capture similar instructional services delivered to public (including charter) schools: regular education, special education, vocational education, other instructional (PK-12), non-public school, adult/continuing education, community/junior college education, community services, and cocurricular/extracurricular activities. The program classification provides the school district with a framework to classify instructional and other expenditures by program to determine cost. For purposes of designating program codes for noninstructional expenditures, it may be necessary to create a designation for those costs that cannot be attributed to a specific program. Many state departments of education use a function/object matrix only for reporting financial information from the school district to the state. Under this system, the function is subclassified to gather instructional program information. This results in only direct instructional costs being classified to the instruction function. Those support costs, which provide support to specific instructional programs, are classified as a general support function.

Adjustments Used for Data Comparability

NCES may adjust some of the finance data reported by states in order to improve comparability. These changes are footnoted in the data files and NCES reports. A description of the adjustment process can be found in the general documentation for the data file. To better compare finance data across different school systems by compensating for differences in purchasing power or to compare data over time by removing the changes in general prices (inflation), economic adjustment indexes can be applied to education finance data elements. Listings of these indexes as well as descriptions of indexes that continue to be updated are presented in Chapter 4 of this guide.



Chapter 3

Commonly Reported Measures

This chapter presents more detailed descriptions of finance data elements by category and further describes common measures used and reported in the analysis of the funding of public elementary and secondary education. The measures incorporate financial and nonfinancial elements into common standardized definitions that can be used for all types of financial analysis, including ratio analysis, revenue and expenditure analysis, per pupil and per program calculations, salary-related indicators, and measures used for determining equity and adequacy.

It should be noted that the finance data elements identified are core account codes that provide the basic account structure necessary for uniform financial reporting by SEAs and public schools, including charter schools, and may also be used by private schools to report financial information that is comparable to that of the public education sector. Local and state needs and requirements may call for additional levels of account details and reporting requirements to be added to this basic structure. Account codes and definitions presented are based on codes from the NCES publication, *Financial Accounting for Local and State School Systems: 2003 Edition* (U. S. Department of Education 2003).

Finance Data Elements

The following fund classifications and account code groupings contain a more detailed set of the codes identified in Chapter 2. Incorporated in these groupings are a select set of account codes and definitions identified as core data elements for financial reporting and education policy. These elements were determined by the Forum Core Finance Data Task Force, with a membership composed of cross-sectional representation and expertise provided from local, state, federal, and academic backgrounds. The accounting definitions are organized by type of account code, and specific account code numbers are included for reference. All revenue, function, and object codes identified as core are also necessary for NCES reporting.



Fund Classifications

Code	Description
Governmental Fund Types	
1 General Fund	This fund is the chief operating fund of the school district. It is used to account for all financial resources of the school district, except for those required to be accounted for in another fund.
2 Special Revenue Fund	This fund is used to account for the proceeds of specific revenue sources (other than trusts or major capital projects) that are legally restricted to expenditure for specified purposes.
3 Capital Projects Fund	This fund is used to account for financial resources to be used to acquire or construct major capital facilities (other than those of proprietary funds and trust funds)
4 Debt Service Fund	This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
5 Permanent Fund	This fund is used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the school district's programs.
Proprietary Fund Types	
6 Enterprise Fund	<p>This fund may be used to account for any activity for which a fee is charged to external users for goods or services. Enterprise funds are required to be used to account for any activity whose principal revenue sources meet any of the following criteria:</p> <ul style="list-style-type: none"> • Debt backed solely by revenues from fees and charges (thus, not debt that is backed by the full faith and credit of the school district) • Legal requirement to recover costs through fees and charges • Policy decision of the governing board of management to recover the costs of providing services through fees or charges.
7 Internal Service Fund	This fund may be used to account for any activity within the school district that provides goods or services to other funds, departments, component units, or other governments on a cost-reimbursement basis. The use of an internal service fund is appropriate only for activities in which the school district is the predominant participant in the activity. Otherwise, the activity should be reported as an enterprise fund.



Fund Classifications (Continued)

Code	Description
<i>Fiduciary Fund Types</i>	
8 Trust Fund	<p>These funds are used to account for assets held by a school district in a trustee capacity for others (e.g., members and beneficiaries of pension plans, external investment pools, or private purpose trust arrangements), and therefore cannot be used to support the school district's own programs. Trust funds are accounted for on the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain post-employment healthcare plans). Trust funds include pension trust funds, investment trust funds, and private-purpose trust funds (described below):</p> <ul style="list-style-type: none">• Pension Trust Fund. This fund is used to account for resources that are required to be held in trust for members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other benefit plans.• Investment Trust Fund. This fund is used to account for the external portion (i.e., the portion that does not belong to the school district) of investment pools operated by the school district.• Private-Purpose Trust Fund. This fund is used to account for other trust arrangements under which the principal and income benefit individuals, private organizations, or other governments.
9 Agency Fund	<p>This account is used for funds that are held in a custodial capacity by a school district for individuals, private organizations, or other governments. Agency funds may include those used to account for student activities or taxes collected for another government.</p>



Program Codes

Code	Description
100	Regular Elementary/Secondary Education Programs. Activities that provide students in prekindergarten* through grade 12 with learning experiences to prepare them for further education or training and for responsibilities as citizens, family members, and workers.
200	Special Programs. Special Programs include activities for elementary and secondary students (prekindergarten* through grade 12) receiving services outside the realm of “regular programs,” such as mental retardation, orthopedic impairment, etc.
300	Vocational and Technical Programs. Activities delivered through traditional comprehensive and vocational-technical high schools or recognized charter schools that prepare students to meet challenging academic standards, as well as industry skill standards, while preparing students for broad-based careers and further education beyond high school.
400	Other Instructional Programs—Elementary/Secondary. Activities targeted towards “at risk” students and students whose primary language is not English.
500	Non-Public School Programs. Activities for students attending a school established by an agency other than the state, a subdivision of the state, or the federal government, and that usually is supported primarily by other than public funds.
600	Adult/Continuing Education Programs. Activities that develop knowledge and skills to meet immediate and long-range educational objectives of adults who, having completed or interrupted formal schooling, have accepted adult roles and responsibilities.
700	Community/Junior College Education Programs. Activities for students attending an institution of higher education that usually offers the first 2 years of college instruction.
8000	Community Services Programs. Activities that are not directly related to the provision of educational services in a school district.
900	Co-Curricular and Extra-Curricular Activities. Activities that add to a student’s educational experience but are not related to educational activities. These activities typically include events and activities that take place outside the traditional classroom.

* Prekindergarten refers to all programs and ages preceding kindergarten, including infant and early childhood programs.



Balance Sheet Codes

The account code structure for balance sheet codes are organized by short- and long- term assets, liabilities, fund balances, and fund net assets. Management of the financial resources of a school district requires use of the balance sheet and net asset account codes necessary to maintain a double-entry accounting system. The major code classifications are listed below. A more extensive list of balance sheet and statement of net asset codes can be found in *Financial Accounting for Local and State School Systems: 2003 Edition* (U.S. Department of Education 2003).



Code	Description
100	Current/Long-Term Assets
200	Capital Assets
400	Current Liabilities
500	Long-Term Liabilities
700	Fund Balance/Fund Net Assets



Revenue Codes

Code	Description
Revenues	
1110	Ad Valorem Taxes. Taxes levied by a school district on the assessed value of real and personal property located within the school district.
1120	Sales and Use Taxes. Taxes assessed by the school district imposed on the sale and consumption of goods and services.
1130	Income Taxes. Taxes assessed by the school district and measured by net income—that is, by gross income less certain deductions permitted by law.
1140	Penalties and Interest on Taxes. Revenue from penalties for the payment of taxes after the due date and the interest charged on delinquent taxes from the due date of actual payment.
1190	Other Taxes. Other forms of taxes the school district levies/assesses, such as licenses and permits.
1200	Revenue From Local Governmental Units Other Than School Districts. Revenue from the appropriations of another local governmental unit.
1210	Ad Valorem Taxes. Taxes levied for school purposes by a local governmental unit other than the school district.
1310	Tuition From Individuals
1320	Tuition From Other Government Sources Within the State
1321	Tuition From Other School Districts Within the State
1330	Tuition From Other Government Sources Outside the State
1331	Tuition From School Districts Outside the State
1340	Tuition From Other Private Sources (other than individuals)
1350	Tuition From the State/Other School Districts for Voucher Program Students
1410	Transportation Fees From Individuals
1420	Transportation Fees From Other Government Sources Within the State
1421	Transportation Fees From Other School Districts Within the State
1430	Transportation Fees From Other Government Sources Outside the State
1431	Transportation Fees From Other School Districts Outside the State
1440	Transportation Fees From Other Private Sources (other than individuals)
1500	Investment Income. Revenue from short-term and long-term investments.
1600	Food Services. Revenue from dispensing food to students and adults.



Revenue Codes (Continued)

Code	Description
1700	District Activities. Revenue resulting from co-curricular and extra-curricular activities controlled and administered by the school district. These revenues are not to be commingled with the proceeds from student activities.
1800	Revenue From Community Services Activities
1910	Rentals. Revenue from the rental of either real or personal property owned by the school district.
1920	Contributions and Donations From Private Sources
1930	Gains or Losses on the Sale of Capital Assets
1940	Textbook Sales and Rentals
1950	Miscellaneous Revenues From Other School Districts. Revenue from services provided other than for tuition and student transportation services.
1960	Miscellaneous Revenues From Other Local Governmental Units
1970	Operating Revenues. Goods and services provided for insurance, printing, or data processing. This account should be used only for Proprietary funds.
1980	Refund of Prior Year's Expenditures
1990	Miscellaneous
2000	Revenue From Intermediate Sources
2100	Unrestricted Grants-in-Aid. Revenue recorded as grants to the school district from an intermediate unit that can be used for any legal purpose desired by the school district without restriction. Separate accounts may be maintained for general source grants-in-aid that are not related to specific revenue sources of the intermediate governmental unit, and for those assigned to specific sources of revenue, as appropriate.
2200	Restricted Grants-in-Aid. Revenue recorded as grants to the school district from an intermediate unit that must be used for a categorical or specific purpose. If such money is not completely used by the school district, it must be returned, usually to the intermediate governmental unit. Separate accounts may be maintained for general source grants-in-aid that are not related to specific revenue sources of the intermediate governmental unit, and for those assigned to specific sources of revenue, as appropriate.
2800	Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by an intermediate governmental unit to the school district in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the school district on the same basis as privately owned property or other tax base. It would include payment made for privately owned property that is not subject to taxation on the same basis as other privately owned property because of action by the intermediate governmental unit.



Revenue Codes (Continued)

Code	Description
2900	Revenue for/on Behalf of the School District. Commitments or payments made by an intermediate governmental jurisdiction for the benefit of the school district or contributions of equipment or supplies. Such revenue includes the payment to a pension fund by the intermediate unit on behalf of a school district employee for services rendered to the school district and a contribution of capital assets by an intermediate unit to the school district. Separate accounts should be maintained to identify the specific nature of the revenue item.
3000	Revenue From State Sources
3900	Revenue for/on Behalf of the School District. Commitments or payments made by a state for the benefit of the school district or contributions of equipment or supplies. Such revenue includes the payment of a pension fund by the state on behalf of a school district employee for services rendered to the school district and a contribution of capital assets by a state unit to the school district. Separate accounts may be maintained to identify the specific nature of the revenue item.
4100	Unrestricted Grants-in-Aid Direct From the Federal Government. Revenues direct from the federal government as grants to the school district that can be used for any legal purpose desired by the school district without restriction.
4200	Unrestricted Grants-in-Aid From the Federal Government Through the State. Revenues from the federal government through the state as grants that can be used for any legal purpose desired by the school district without restriction.
4300	Restricted Grants-in-Aid Direct From the Federal Government. Revenues direct from the federal government as grants to the school district that must be used for a categorical or specific purpose. If such money is not completely used by the school district, it usually is returned to the governmental unit.
4500	Restricted Grants-in-Aid From the Federal Government Through the State. Revenues from the federal government through the state as grants to the school district that must be used for a categorical or specific purpose.
4700	Grants-in-Aid From the Federal Government Through Other Intermediate Agencies. Revenues from the federal government through an intermediate agency.
4800	Revenue in Lieu of Taxes. Commitments or payments made out of general revenues by the federal government to the school district in lieu of taxes it would have had to pay had its property or other tax base been subject to taxation by the school district on the same basis as privately owned property or other tax base. Such revenue includes payment made for privately owned property that is not subject to taxation on the same basis as other privately owned property because of action by the federal governmental unit.



Revenue Codes (Continued)

Code	Description
4900	Revenue for/on Behalf of the School District. Commitments or payments made by the federal government for the benefit of the school district, or contributions of equipment or supplies. Such revenue includes a contribution of capital assets by a federal governmental unit to the school district and foods donated by the federal government to the school district. Separate accounts should be maintained to identify the specific nature of the revenue item.
5000	Other Financing Sources
5100	Issuance of Bonds. Used to record the face amount of the bonds that are issued. Short-term debt proceeds should not be classified as revenue. When a school district issues short-term debt (debt of less than 12 months) that is to be repaid from governmental funds, a liability (notes payable) should be recorded in the balance sheet of the fund responsible for repayment of debt. (This includes account code 5110, bond principal.)
5200	Fund Transfers In. Used to classify operating transfers from other funds of the district.
5300	Proceeds From the Disposal of Real or Personal Property. Proceeds from the disposal of school property or compensation for the loss of real or personal property. Any gain or loss on the disposal of property for Proprietary or Fiduciary funds is recorded in account 1930. Account 5300 should be used only for proceeds from the disposal of assets that do not have significant value. The reporting of major asset sales should be recorded as Special Items using account 6300.
5400	Loan Proceeds. Proceeds from loans greater than 12 months.
5500	Capital Lease Proceeds. Proceeds from capital leases.
5600	Other Long-Term Debt Proceeds. Proceeds from other long-term debt instruments not captured in the preceding codes (e.g., certificates of obligation).



Function Codes

Code	Description
1000	Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium such as television, radio, computer, Internet, multimedia telephone, and correspondence that is delivered inside or outside the classroom or in other teacher-student settings. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) assisting in the instructional process. If proration of expenditures is not possible for department chairpersons who also teach, include department chairpersons who also teach in instruction. Full-time department chairperson's expenditures should be included only in 2490. (Used with all programs 100-900.)
2100	Support Services—Students. Activities designed to assess and improve the well-being of students and to supplement the teaching process. The critical subfunctions identified within this area are: Attendance and Social Work Services (2110), Guidance Services (2120), Health Services (2130), Psychological Services (2140), Speech Pathology and Audiology Services (2150), and Occupational Therapy—Related Services (2160).
2200	Support Services—Instruction. Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students. The critical subfunctions identified within this area are: Improvement of Instruction (2210), Library/Media Services (2220), Instruction-Related Technology (2230), and Academic Student Assessment (2240).
2300	Support Services—General Administration. Activities concerned with establishing and administering policy for operating the school district.
2400	Support Services—School Administration. Activities concerned with overall administrative responsibility for a school.
2500	Support Services—Central Services. Activities that support other administrative and instructional functions, including fiscal services, human resources, planning, and administrative information technology.
2600	Support Services—Operation and Maintenance of Plant. Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools. The critical subfunctions identified within this area are Security (2660) and Safety (2670).
2700	Support Services—Student Transportation. Activities concerned with conveying students to and from school, as provided by state and federal law. This includes trips between home and school and trips to school activities.



Function Codes (Continued)

Code	Description
2900	Other Support Services. All other support services not classified elsewhere.
3100	Operation of Noninstructional Services—Food Services Operations. Activities concerned with providing food to students and staff in a school or school district. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery. (Used with all programs 100-900.)
3200	Operation of Noninstructional Services—Enterprise Operations. Activities that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs are financed or recovered primarily through user charges. Food Services should not be charged here but rather to function 3100. One example could be the school district bookstore. (Used with all programs 100-900.)
3300	Operation of Noninstructional Services—Community Services Operations. Activities concerned with providing community services to students, staff, or other community participants. Examples of this function would be parental training or the operation of a community swimming pool, a recreation program for the elderly, a childcare center for working mothers, etc. (Used only with Program 800.)
4000	Facilities Acquisition and Construction. Activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites. (Used with all programs 100-900.)
5000	Debt Service. Activities related to servicing the long-term debt of the school district, including payments of both principal and interest. This function should be used to account for bond interest payments, retirement of bonded debt (including current and advance refundings), capital lease payments, and other long-term notes. Interest on short-term notes or loans (repayable within 1 year of receiving the obligation) is charged to function 2513. The receipt and payment of principal on those loans is treated as an adjustment to the balance sheet account 451. (Used with all programs 100-900.)



Object Codes

Code	Description
100	Personal Services—Salaries. Amounts paid to both permanent and temporary school district employees, including personnel substituting for those in permanent positions. This includes gross salary for personal services rendered while on the payroll of the school district. The third position in this group of objects has been left unused (i.e., "0") so that a job classification code can be inserted by the school district if desired. (Used with all functions except 5000, Debt Service.)
200	Personal Services—Employee Benefits. Amounts paid by the school district on behalf of employees (amounts not included in gross salary but in addition to that amount). Such payments are fringe benefit payments and, while not paid directly to employees, nevertheless are part of the cost of personal services. The third position in this group of objects has been left unused (i.e., "0") so that a job classification code can be inserted by the school district if desired. (Used with all functions except 5000, Debt Service.)
300	Purchased Professional and Technical Services. Services, which by their nature, can be performed only by persons or firms with specialized skills and knowledge. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided. Included are the services of architects, engineers, auditors, dentists, medical doctors, lawyers, consultants, teachers, accountants, etc. It is recommended that a separate account be established for each type of service provided to the school district. Services purchased from another school district or from other government sources should be coded to one of the object codes from 590 to 597.
400	Purchased Property Services. Services purchased to operate, repair, maintain, and rent property owned or used by the school district. These services are performed by persons other than school district employees. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.
450	Construction Services. Includes amounts for constructing, renovating, and remodeling buildings or infrastructure assets paid to contractors. This account should also be used to account for the costs of non-permanent site improvements such as fencing, walkways, and roads that are related to buildings and building sites. (Used only with function 4000.)
500	Other Purchased Services. Amounts paid for services rendered by organizations or personnel not on the payroll of the school district (separate from Professional and Technical Services or Property Services). While a product may or may not result from the transaction, the primary reason for the purchase is the service provided.
511	Student Transportation Purchased from Another School District Within the State. Amounts paid to other school districts within the state for transporting children to and from school and school-related events. These include payments to individuals who transport themselves or their own children or for reimbursement of transportation expenditure/expenses on public carriers. Expenditures for the rental of buses that are operated by personnel on the school district payroll are not recorded here, but under object 442. (Used only with function 2700.)



Object Codes (Continued)

Code	Description
561	Tuition to Other School Districts Within the State. Tuition paid to other school districts within the state.
562	Tuition to Other School Districts Outside the State. Tuition paid to other school districts outside the state.
563	Tuition to Private Sources. Tuition paid to private schools.
564	Tuition to Educational Service Agencies Within the State. Tuition paid to agencies such as regional educational service centers for educational services to students.
565	Tuition to Educational Service Agencies Outside the State. Tuition paid to agencies such as regional educational service centers for educational services to students.
566	Tuition to Charter Schools. Tuition paid to charter schools for services provided in accordance with the established charter for that school.
567	Tuition to School Districts for Voucher Payments. Tuition paid to school districts for students utilizing a state or local voucher program. School districts and state departments of education should utilize this code for all payments made to school districts for voucher programs.
569	Tuition—Other. Tuition paid to the state and other governmental organizations as reimbursement for providing specialized instructional services to students residing within the boundaries of the paying school district.
591	Services Purchased From Another School District or Educational Services Agency Within the State. Payments to another school district within the state for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing, and guidance. This code should be used so that all interdistrict payments can be eliminated when consolidating reports from multiple school districts at the state and federal levels (when a question arises about whether to code such payments to the 300 series of objects or to this code).
592	Services Purchased From Another School District or Educational Service Agency Outside the State. Payments to another school district outside the state for services rendered, other than tuition and transportation fees. Examples of such services are data processing, purchasing, nursing, and guidance. This code should be used so that all interdistrict payments can be eliminated when consolidating reports from multiple school districts at the state and federal levels (when a question arises about whether to code such payments to the 300 series of objects or to this code).
600	Supplies. Amounts paid for items that are consumed, worn out, or deteriorated through use; or items that lose their identity through fabrication or incorporation into different or more complex units or substances. Equipment that has a cost lower than the school district's capitalization threshold should be coded in this series rather than to a 700 series code.



Object Codes (Continued)

Code	Description
700	Property. Expenditures for acquiring capital assets, including land, existing buildings, existing infrastructure assets, and equipment.
710	Land and Land Improvements. Expenditures for the purchase of land and the improvements thereon. Purchases of air rights, mineral rights, and the like are included here. Also included are special assessments against the school district for capital improvements such as streets, curbs, and drains. Not included here, but generally charged to objects 450 or 340 as appropriate, are expenditures for improving sites and adjacent ways after acquisition by the school district. (Used with functions 4100, 4200, and 4600.)
720	Buildings. Expenditures for acquiring existing buildings. Included are expenditures for installment or lease payments (except interest), which have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. Expenditures for the contracted construction of buildings, for major permanent structural alterations, and for the initial or additional installation of heating and ventilating systems, fire protection systems, and other service systems in existing buildings are recorded under object 450. Buildings built and alterations performed by the school district's own staff are charged to objects 100, 200, 610, and 730, as appropriate. Used with governmental funds only. (Used with function 4500 only.)
730	Equipment. Expenditures for the initial, additional, and replacement items of equipment, such as machinery, furniture and fixtures, and vehicles.
740	Infrastructure. Expenditures for purchased infrastructure assets by the school district. These items may include water/sewer systems, roads, bridges, and other assets that have significantly longer useful lives than other capital assets. (Used with functions 4000 only, but primarily used with functions 4200 and 4600.)
810	Dues and Fees. Expenditures or assessments for membership in professional or other organizations or payments to a paying agent for services rendered. (Used with functions 1000 and 2000.)
831	Redemption of Principal. Expenditures to retire bonds (including current and advance refundings) and long-term loans. (Used only with function 5000.)
832	Interest. Expenditures for interest on bonds or notes. (Used only with function 5000.)



Other Expenditure Classifications

Expenditures can also be categorized by other classifications, which include the following:

- The project for which funds are being spent (used mainly for reporting (e.g., grants));
- The level of instruction associated with the expenditure;
- The operational unit on which the funds are being spent;
- The subject matter on which the funds are being spent; and
- The job class associated with the expenditure.

Common Finance Measures

Data elements described in the preceding section of this chapter can be aggregated to create common revenue and expenditure measures that can also be combined with pupil counts and other nonfiscal measures. The following measures represent some of the most commonly reported finance measures.

Expenditures for Instruction

This category of expenditures is a key function code that includes the activities dealing directly with the interaction between teachers and students. Instruction may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium (such as television, radio, computer, Internet, multimedia telephone, and correspondence) that is delivered inside or outside the classroom or in other teacher-student settings. Included here are the activities of aides or classroom assistants of any type (clerks, graders, etc.) who assist in the instructional process. If proration of expenditures is not possible for department chairpersons who also teach, then department chairpersons who also teach are included as instruction expenditures. However, full-time department chairperson expenditures should not be included as an instruction expenditure.

A more detailed description of the data elements that comprise expenditures for instruction in the F-33 and NPEFS, including associated survey codes is located in appendix B.

Total Current Operating Expenditures for Public Elementary and Secondary Education

This measure is the sum of expenditures for instruction, support services, food services, and enterprise operations (under noninstruction services). Current operating expenditures exclude capital and debt service. The account codes that comprise the total current operating expenditures are further identified and defined below:



Current Expenditure Functions

Code	Description
1000	Instruction. Instruction includes the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location such as a home or hospital, and in other learning situations such as those involving cocurricular activities. It may also be provided through some other approved medium, such as television, radio, computer, Internet, multimedia telephone, and correspondence that is delivered inside or outside the classroom or in other teacher-student settings. Included here are the activities of aides or classroom assistants of any type (clerks, graders, teaching machines, etc.) assisting in the instructional process.
2000	Support Services. Support services provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services, and enterprise programs, rather than as entities within themselves.
2100	Support Services—Students. Activities designed to assess and improve the well-being of students and to supplement the teaching process.
2200	Support Services—Instruction. Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.
2300	Support Services—General Administration. Activities concerned with establishing and administering policy for operating the school district.
2400	Support Services—School Administration. Activities concerned with overall administrative responsibility for a school.
2500	Central Services. Activities that support other administrative and instructional functions, including fiscal services, human resources, planning, and administrative information technology.
2600	Operation and Maintenance of Plant. Activities concerned with keeping the physical plant open, comfortable, and safe for use and with keeping the grounds, buildings, and equipment in effective working condition and state of repair. These include the activities of maintaining safety in buildings, on the grounds, and in the vicinity of schools.
2700	Support Services—Student Transportation. Activities concerned with conveying students to and from school, as provided by state and federal law. This includes trips between home and school, and trips to school activities.
2900	Other Support Services. All other support services not classified elsewhere.
3000	Operation of Noninstructional Services. Activities concerned with providing noninstructional services to students, staff, or the community.
3100	Operation of Noninstructional Services—Food Services Operations. Activities concerned with providing food to students and staff in a school or school district. This service area includes preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery. (Used with all programs 100-900.)
3200	Operation of Noninstructional Services—Enterprise Operations. Activities that are financed and operated in a manner similar to private business enterprises where the stated intent is that the costs are financed or recovered primarily through user charges. Food Services should not be charged here but rather to function 3100. One example could be the school district bookstore. (Used with all programs 100-900.)



A more detailed description of the data elements that comprise current expenditures in the F-33 and NPEFS including associated survey codes, are located in Appendix B.

Total Expenditures

In general, the definition of total expenditures includes current expenditures as well as capital, facilities, construction, debt-related expenditures, and other programs outside of elementary and secondary education (for example, private schools, community services, and adult education). The combination of these expenditures can vary depending on the report, and the reporting organization. Therefore, it is important to understand which specific data elements are included as total expenditures, especially if comparisons are made using different reports that could have differing definitions.

For the NCES National Public Education Financial Survey (NPEFS), total expenditures comprise the total of current expenditures, and expenditures for construction, capital outlays, and other programs outside of elementary and secondary education (for example, private schools, community services, and adult education). For all other NCES collections and reports, such as the F-33 data collection, the *Digest of Education Statistics*, and the *Condition of Education*, total expenditures also cover interest on debt and direct support for private schools.

A more detailed description of the data elements that comprise total expenditures in the F-33 and NPEFS including associated survey codes is located in appendix B.

Net Current Expenditures

Net current expenditures are the key financial component of the State Per-Pupil Expenditure (SPPE), which is the primary financial measure used in the formula to allocate Title I and other federal funds to state and school districts. SPPE is used as an indicator of the level of effort that state and local governments are making in providing public education. Net current expenditures is defined as current expenditures less the following local revenues and expenditures: tuition paid by individuals; transportation fees paid by individuals; food service revenues; district activity revenues; textbook revenues; summer school revenues; and expenditures from funds received from the federal government through Title I and Title V, Part A programs (including expenditures from carryover funds received in the prior year). A more detailed description of data element components for this calculation is located in appendix B.

Property Expenditures

Of special note for NPEFS reporting is the calculation for property expenditures. Total Property expenditures comprise the aggregate of all property expenditures by function, including: instruction, support services and associated subfunctions, operation of noninstructional services, and direct program support; and land, buildings, and equipment under facilities acquisition and construction services. This total includes other programs outside of elementary and secondary education, including community services. Additional details, for this calculation are provided in appendix B.

Per Pupil Expenditures

Education finance information often is expressed relative to a particular base or denominator that allows for comparisons to be made across school districts or states. A common example is total expenditures per pupil. Dividing total expenditures by a pupil base provides a means to compare large and small school districts on a common basis—provided that both total expenditures and pupils are defined similarly among school districts. Common definitions must be used to ensure comparability.



This section describes pupil bases and important program bases used to create per pupil expenditure and other per pupil measures that are commonly used in education finance. All of these pupil and program bases may be weighted to account for relevant student factors, such as participation in special programs or distance required to transport students to school.

Below are some of the more commonly used pupil bases that are often used to calculate per pupil revenues and expenditures.

Expenditure per Pupil Based on Fall Enrollment

This expenditure per pupil calculation is based on the number of students on the membership roll on or about October 1 of a school year, or the time nearest to October 1 when a verifiable count of students can be made. This count is unduplicated. That is, each student is counted only once. A student who attends school only half a day is counted as one student. The majority of NCES reports utilize this fall enrollment definition as their standard pupil count, as do other federal offices, such as the Office for Civil Rights.

Expenditure per Average Daily Attendance (ADA)

This expenditure per pupil calculation is based on the aggregate attendance of a school, school district, or state during a reporting period (normally a school year) divided by the number of days school is in session during this period. Only days on which the pupils are under the guidance and direction of teachers should be considered days in session. ADA is not a count of students per se, but rather the average attendance for the year. It is calculated by summing the attendance figures for each day of the school year and dividing by the number of days of the school year.

Expenditure per Average Daily Membership (ADM)

This expenditure per pupil calculation is based on the average student enrollment over the course of the school year for a school, school district, or state. It is calculated by summing the number of students enrolled each day of the school year and then dividing that sum by the number of days school is in session during this period. Only days on which the pupils are under the guidance and direction of teachers should be considered as days in session. The ADM for groups of schools having varying lengths of terms is the average of the average daily memberships obtained for the individual schools. Like ADA, ADM is also not a count of students. It is an accumulated value of all days present and all days absent for each student on the membership role at any time during the school year divided by the length in days for the school year. As with student membership and ADA, each student is counted as one student, even if the student only attends school for half a day. NCES does not collect ADM data.

Expenditure per Full-Time Equivalent (FTE) Membership

This expenditure per pupil calculation is based on FTE membership, which is a calculated value based upon an established number of hours that vary by state. For example, one FTE student may be a single student enrolled in a school or a program for a total of 900 hours (180 days for 5 hours per day) during the regular school year. FTE membership may be expressed for a regular school year or the summer term, or both. A student attending school for only half a day is counted as 0.5. NCES does not collect FTE membership data.

Average Number of Students Participating in National School Lunch and/or Breakfast Programs

According to the U. S. Department of Agriculture, this base is calculated as the number of average daily lunches and/or average daily breakfasts served each month as reported by state agencies, divided by a national attendance factor of 0.927.



Average Number of Students Transported

The aggregate number of students transported to and from school is divided by the number of days that transportation is provided during a given reporting period.

Average Contracted Salaries and Average Compensation

Contracted salaries and compensation comprise the majority of operating expenditures of school districts. This section defines the differences between salary and compensation, both of which are used by policymakers and decisionmakers for budgeting and funding purposes. The following definitions are derived in part from the *NCES Staff Data Handbook for Elementary, Secondary, and Early Childhood Education* (U.S. Department of Education 2001a). Definitions are general descriptions that may be applied to selected groups of certified staff.

Average Contracted Salary

Average salary is the average annual contracted base salary for an individual employee. It includes the earned value of a contracted salary but does not include add-ons, such as supplements for coaching, student activities, or other extra-duty functions. The average salary is expressed only for the regular school year and does not include summer terms or extra-duty terms.

Average Compensation

Average compensation is the total annual compensation for a contract employee. This includes earned salary and benefits plus all salary supplements and add-ons for extra-duty functions. It includes items paid for by the district or items that are contributed on behalf of the employee, such as compensation for cocurricular, extracurricular and other activities, overtime, sabbatical leave, other salary, additional compensation, and in-kind compensation dollar amounts. Benefits include all benefits paid by the district as well as local and state governments, including retirement, health, worker's compensation, Social Security, and all other benefits. Contributions made by the employee to these plans and services should not be included in the average compensation calculation.

Employee Benefit Contributions

Employee benefit contributions are contributions to a staff member's benefit plan made by the staff member, employer, or others. Staff members receive employee benefits as compensation for service in compliance with the employment agreement. They include child care assistance, COBRA, dental care, educational assistance, employee assistance programs, health insurance, health promotion programs, investment programs, legal services, life insurance, long-term disability insurance, prescription plans, retirement income, short-term disability insurance, Social Security, vision care, unemployment insurance, and worker's compensation. Greater detail on employee benefit contributions can be found in the *NCES Student Data Handbook for Elementary, Secondary, and Early Childhood Education: 2001 Update* (U.S. Department of Education 2001b).

