



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

MEMORANDUM

TO: Directors and Fiscal Officers of All Departments, Agencies, Boards and Commissions

FROM: Timothy S. Keen, Director 

DATE: November 19, 2013

RE: Capital Reappropriations Process for FYs 2015-2016

As you are aware, capital appropriations and reappropriations are effective for two years at a time, yet many capital projects take longer than that to complete. As such, the Office of Budget and Management (OBM) undertakes a process every two years to review existing agency capital appropriations and, after working with agencies, identifies those existing appropriations that need to be reappropriated in order to complete the projects for which they were originally appropriated.

As part of this reappropriation review process, and in a practice similar to that employed for fiscal years 2013 and 2014, OBM is requesting that agencies not only review their existing capital appropriations and request reappropriation where the projects are not complete, but also to review the extent to which the projects originally funded are still consistent with both agency and administration goals and, if necessary adjust their requests to reflect this.

Attached to this memorandum is detailed guidance directing agencies on how to prepare requests for capital reappropriations for FYs 2015 and 2016 and what specific information should be provided to OBM to justify these requests. Please review the guidance carefully and direct any questions to your OBM budget analyst.

As in past years, as part of the reappropriations process agencies are also directed to review older capital encumbrances to determine if they are still necessary (these are capital encumbrances that will be four years old or older on June 30, 2014). Based on this review, those encumbrances that are no longer needed will be canceled. Those older encumbrances that are still needed will continue until such time as they are liquidated or cancelled by either agency request or project completion. Sufficient justification for the reappropriation of these old encumbrances must be provided.

Schedule

Due to the fact that capital appropriations legislation does not take effect until ninety days after being signed by the Governor, the timeline for preparing and enacting the reappropriations bill is

tight. It is OBM's intent to prepare a bill and have it enacted by the General Assembly by April 1, 2014, so that it will be effective July 1, 2014. In order to meet this timeline, it is important that agency staff work closely with OBM so that all capital line items that need to be reappropriated are identified and included in the bill along with all necessary budget bill language.

The general timeline that OBM intends to follow in preparation of the capital reappropriations bill is as follows:

November 19, 2013	Capital reappropriations guidance distributed to agencies
December 13, 2013	Agency reappropriations requests due to OBM
December 2013 – February 2014	OBM reviews requests, resolves issues and drafts bill
February 2014	Reappropriations bill ready for introduction

Attachment

cc: John R. Kasich, Governor
Beth Hansen, Chief of Staff
Wayne Struble, Governor's Office Director of Policy
Christopher A. Whistler, Assistant Director, OBM
Frederick Church, Deputy Director, OBM

Requesting Capital Reappropriations OBM Guidance to State Agencies for Fiscal Years 2015 and 2016

The process for requesting capital reappropriations for fiscal years 2015 and 2016 will be very similar to that employed for fiscal years 2013 and 2014 in terms of the detail that the Office of Budget and Management (OBM) is seeking with respect to the requested reappropriation of remaining capital balances. Specifically, in reviewing remaining capital appropriation balances, the agency should scrutinize these balances and determine if in fact the appropriations are still needed for the project for which they were initially appropriated and whether that project is still a priority of the agency and the administration. If the funds are no longer needed (i.e. project is completed or cancelled or no longer a priority) the agency in its request should propose either that the funds lapse or, possibly, the balances repurposed to another project or activity better in line with the agency six year capital plan and administration goals (see Section 7). Requests to repurpose funds should also be justified to demonstrate that the project to which the appropriation would be repurposed is beneficial and consistent with furthering agency and administration goals and to the extent possible, is in line with the agency 2015-2020 capital plan. Please note that while OBM will collect and review information supporting requests for repurposing appropriation balances, we are considering options for addressing these items outside of including them in the bill.

Background

Since capital appropriations are effective for only two years at a time, appropriations that are not disbursed or encumbered at the end of the two-year period ending June 30, 2014 must be reappropriated or they will lapse and no longer be available. Each biennium, OBM distributes guidance to agencies with outstanding capital appropriations identifying what tasks the agencies need to complete and the information they need to provide in order for OBM to make recommendations as to whether balances should be reappropriated.

There are four basic tasks that agencies need to complete as part of the capital reappropriations review and development process:

- 1) Identify the current capital appropriation line items (ALIs) that need to be included in the capital reappropriations bill in order to complete projects currently in the planning process or in the process of being completed;
- 2) Estimate the amounts that will need to be reappropriated for each ALI on July 1, 2014;
- 3) Review a report, provided by OBM, of capital encumbrances that are at least four years old and submit a report identifying which encumbrances will be needed after June 30, 2014 and which will not; and
- 4) Review budget language related to capital reappropriations and submit proposed changes or additions to OBM of the reappropriation language items that need to be included in the bill and of what changes need to be made to language that is being continued. Draft language will be provided to the agencies and the agencies are to use these as the template for their review and for proposing changes or additions.

The deadline for submitting capital reappropriation information to OBM is Friday, December 13, 2013.

Following completion of the tasks identified above, agencies should submit as many as five of pieces of information to OBM:

**Requesting Capital Reappropriations
Fiscal Years 2015 and 2016**

- 1) An Excel worksheet listing the line items that the agency is requesting be reappropriated, the estimated reappropriation amounts, and the agency rationale for reappropriating the requested amounts (the Excel worksheet and summary document will be provided to the agency by their OBM budget analyst and is also posted on the OBM website);
- 2) A completed report in Excel format recommending what should be done with capital encumbrances that will be at least four years old (if an agency has any) and the rationale for that recommendation;
- 3) Any reappropriation-related language that needs to be included in the bill;
- 4) An Excel worksheet identifying existing appropriations that the agency is requesting be repurposed for another project and a summary document providing the rationale for that request (the Excel worksheet and summary document will be provided by your OBM budget analyst and is also posted on the OBM website); and
- 5) An itemized listing of capital appropriations encumbered in prior biennia that are no longer needed for that purpose and for which the agency or institution would like to request repurposing. Any requested repurposing of appropriations should be accompanied by a completed Repurposing Request Document

The capital reappropriation process, the worksheets that all agencies must submit, the report for old encumbrances, and all related information are described in more detail in the following sections of the guidance. These sections cover the following seven topics:

- 1) What agencies need to have reappropriated and why;
- 2) What OBM will give agencies regarding reappropriations and what actions are required;
- 3) A capital reappropriations spreadsheet and what to do with it;
- 4) A report containing old encumbrances and what to do with it;
- 5) Limits on what will be reappropriated;
- 6) Addressing community projects; and
- 7) Requests for repurposing or adjustments to prior year capital appropriations/encumbrances and what information must accompany such requests.

Please read this guidance carefully. If you have any questions about it, please contact your OBM budget analyst.

SECTION 1 <u>What Do Agencies</u> <u>Need to</u> <u>Reappropriate and</u> <u>Why?</u>
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Any appropriations made for capital projects in HB 482 (the current capital bill), HB 59, or any other act of the General Assembly in fiscal years 2013 or 2014 will expire on June 30, 2014.

Agencies should review the status of all capital items in these bills as well as items created by the Controlling Board from items in these bills. Agencies should request reappropriation of those items that will have available balances as of June 30, 2014, if those balances will be needed to complete the project for which they were appropriated.

Capital appropriations that agencies estimate will be disbursed or encumbered by June 30, 2014, do not need to be reappropriated.

In order for an item to be reappropriated, it must be in the reappropriations bill (there is an exception to this, which is described in the next paragraph). Therefore, agencies need to **make certain** that

they identify all Appropriation Line Items (ALI) that need to be reappropriated and that these ALI are on the worksheet they return to OBM, which is described in Section 3 of the guidance.

The list of line items that appears in the reappropriations bill can only be complete through late January, at best, since that is when the reappropriations bill will be prepared. Items that are created by the Controlling Board after January 6, 2014 and before June 30, 2014 that will need to be reappropriated cannot and will not appear in the bill. **Agencies should keep a list of line items created during this period of time to reconcile with OBM that appropriation balances contained in those line items are reappropriated at the proper levels.** OBM will address those items that are created during the period after January 6, 2014 and before June 30, 2014, and that need to be reappropriated, by including language in the bill that reappropriates any items created by the Board after January 6th that are needed to complete the project.

Here is a summary of the important points in the previous two paragraphs:

- Any capital appropriation item that exists now or is created by the Controlling Board on or prior to January 6, 2014, must be in the reappropriations bill in order to be reappropriated.
- OBM budget analysts and their agencies will have to work together between December 13th, the date that reappropriations guidance is distributed by OBM, and January 6th, to keep each agency's list of items to be reappropriated up to date.
- Items created by the Controlling Board after January 6th, 2014 and before June 30, 2014 will be reappropriated (if necessary) pursuant to language that OBM will include in the reappropriations bill. Agencies should maintain a list of these items so that OBM and the agency can accurately determine the reappropriated items that will be set up in OAKS after July 1, 2014.

OBM and agencies also need to address the issue of old capital project encumbrances. There is no statutory limit to the life of capital encumbrances. However, as a matter of accounting policy, OBM reviews capital encumbrances every two years at the time the capital reappropriations bill is prepared. OBM recognizes that it often takes several years to complete all the financial transactions involved with a capital improvements project, so OBM does not ask agencies to review all capital encumbrances every two years. We only review those encumbrances that have been in place for four years or more. For the upcoming reappropriations bill, we will review all capital encumbrances (these are encumbered funds appropriated in previous capital bills) that will be four years old or older on June 30, 2014 (this means that the date of record in the state's accounting system for the encumbrances is FY 2010 or earlier. An agency's OBM budget analyst will be providing a report listing these encumbrances. Agencies must identify which encumbrances are still needed and

which are not. Those that are needed must be included in the reappropriations bill or they will be lost. Sufficient justification on why they are still needed must be shared with OBM. Those that are not needed will be canceled in June 2014 and access to those funds will lapse. More information on the old encumbrance review process is in Sections 2 and 4, below.

SECTION 2
What will
Agencies Get
From OBM?

Agencies will receive five items from OBM: (1) A report showing the balance of their capital appropriation line items as of November 15, 2013; (2) A report containing the status of old capital encumbrances as of November 15, 2013 (only agencies with old encumbrances will receive the encumbrance report); (3) An agency narrative template document that is to be used to provide the rationale/explanation of the need or desire of the agency to either reappropriate, repurpose, or let lapse any existing capital appropriations balances; (4) A blank capital appropriation repurposing spreadsheet that an agency should complete if it is requesting the repurposing of an existing capital appropriation balance; and (5) An agency repurposing request narrative template that is to be used to provide rationale for repurposing any existing capital appropriation balances to another project. The tasks that agencies are required to complete with respect to each of these reports is described in detail in Sections 3 and 4 of this guidance.

SECTION 3
What Should
Agencies with
the
Appropriation
Report?

Using the appropriation report received from OBM, agencies should do the following:

1. **Review the list** and enter "0" in the column headed "Requested Reappropriation" for any items that do not need to be reappropriated.
2. **Add items to the list, if necessary.** Additions should include items that the Controlling Board has already created (but that are not on the list), or will create after December 13, 2013, that will need to be reappropriated as well as any items that were mistakenly excluded.
3. **Estimate what the reappropriated amounts will be by line item and enter the amount in the Requested Reappropriation column and the rationale for reappropriating.** The estimate should be the estimated sum of the line item's available balance as of June 30, 2014 and should take into account estimated disbursements or encumbrances that will occur between November 2013 and the end of the fiscal year.
4. **Complete the Agency Reappropriation Request Justification narrative document.** This document provides additional detail and rationale for reappropriating the amounts requested, including a history of the appropriation and extent to which the item continues to reflect agency and administration goals and priorities.
5. **Return the list to your OBM budget analyst not later than December 13, 2014.** After that, and through December and January, continue to work with your budget analyst to keep the list up to date, both adding and deleting items based on progress made with the

projects and any Controlling Board actions.

SECTION 4
The OAKS Old
Encumbrance
Report and What To
Do With It

A report has also been run in OAKS that shows the status, as of November 15, 2013, of capital encumbrances that will be four years old or older on June 30, 2014. If your agency has any of these encumbrances, your OBM budget analyst will provide an electronic copy of the report for your review. Please review carefully each encumbrance shown in the report and determine which of the old encumbrances your agency will need to maintain after June 30, 2014. Enter the encumbrance information in the Encumbrance Review spreadsheet provided by your OBM budget analyst with the recommendation to "KEEP" or "CANCEL" the encumbrance in the appropriate cell. For those encumbrances that agencies recommend keeping, a short descriptive justification should be provided (e.g. "outstanding invoices remain on this project, must retain encumbrance"). Those encumbrances identified for cancellation will be canceled at the end of June 2014 and the funds will lapse. (Agencies may, of course, at any time, cancel encumbrances that are no longer needed.)

SECTION 5
Limits on
Reappropriations

Unless there are special circumstances, we will not reappropriate any amounts less than \$1,000. If amounts less than \$1,000 need to be reappropriated, agencies should contact their OBM budget analyst if they believe they have an item that requires an exception.

SECTION 6
Community Projects

Several agencies have appropriation items that are "community projects". Since community projects are generally passed through to local communities/entities, the final decision whether to reappropriate these items is usually not up to the agency. As a result, the agency should simply bring these items to the attention of their OBM budget analyst to make sure they are aware that funds remain for community projects that have not yet been disbursed and that may require additional review prior to reappropriation.

SECTION 7
REPURPOSING PRIOR
CAPITAL
APPROPRIATIONS/
ENCUMBRANCES

Traditionally, some repurposing of prior capital appropriations has been authorized. As part of the reappropriations review process, OBM is gathering information from agencies to carefully review and determine if there are reasonable requests that might merit recommendation. Consideration of requests to repurpose existing capital appropriations will be done on a case-by-case basis with the agency or institution in question providing supplemental justification detailing the need or benefit of including the request in the bill. Furthermore, in those situations in which the agency is seeking to repurpose existing appropriations, the agency should, to the greatest extent possible, coordinate such requests with their FYs 2015-2016 capital budget request and their FYs 2015-2020 capital plans. An Agency Redirection/Repurpose Request document that accompanies this guidance must be completed for each request to repurpose an existing capital appropriation.