



Office of Budget and Management

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Director

Memorandum

To: Fiscal Officers of All Departments, Agencies, Boards and Commissions

From: Timothy S. Keen, Director

Subject: Allotment Guidance for FY 2016

Date: June 1, 2015

The purpose of this memorandum is to provide state agencies with guidance regarding the allotment process for fiscal year 2016. The allotment process for fiscal year 2016 is structured to balance the financial demands necessary to support essential state government services with sufficient management flexibility necessary to respond to potential fiscal challenges, should they arise.

As the fiscal year 2016 – 2017 budget process is still in progress and for most agencies will not conclude until late June, agencies are directed to base their allotment plans on either the enacted version of the Transportation budget bill (House Bill 53) or the House Passed versions of the main operating (House Bill 64), Workers' Compensation (House Bill 52), and Industrial Commission (House Bill 51) budget bills. Once all of the budget bills are enacted, allotment plans will be modified, reviewed, and once approved, posted to reflect the final appropriation levels.

The FY 2016 Allotment Process

As you will see in the guidance document, the allotment process for fiscal year 2016 is very similar to that of fiscal year 2015 in that it requires only payroll account spending (account 500) to be allotted on a quarterly basis. Attached to this memorandum are detailed instructions for the allotment planning process for fiscal year 2016, which includes links to useful resources to support this process. A formatted allotment planning spreadsheet as well as a template for administrative spending plans will be provided by your OBM budget analyst via e-mail.

Agencies must submit their FY 2016 allotment plans to OBM by Friday June 19, 2015.

Should you have questions regarding this process, please feel free to contact your assigned OBM budget analyst.

C: OBM Budget Analysts

Attachment: FY 2016 Allotment Planning Guidance

**Office of Budget and Management
FY 2016 Agency Allotment Planning Guidance
June 1, 2015**

Please review the entire guidance document for important information regarding the allotment process and changes from prior years.

The FY 2016 allotment planning guidance document is organized as follows:

I. Background

- A. Purpose of the Allotment Process
- B. Development of Allotment Budgets & Timing of GRF Expenditures
- C. FY 2016 Allotment Control Totals

II. Preparation & Submission of the Allotment Budget

- A. General Instructions
- B. Step by Step Instructions
- C. General Considerations for Preparation and Review

III. Deadlines/Key Dates

IV. Submission and Adjustment of the Allotment Budget

I. Background

A. Purpose of the Allotment Process

Allotment plan: Allotment plans are one financial management tool employed by the Office of Budget and Management (OBM) to ensure the responsible expenditure of state resources. Specifically, this process assists OBM in managing the state's finite resources by requiring agencies to review their responsibilities and to estimate both how they anticipate obligating their FY 2016 appropriations and the timing of those obligations.

Allotment budget: The allotment budget breaks down each appropriation line item (ALI) by the Account Category level of the Account Chartfield (i.e. 500, 510, 520, etc). Each of these account categories is required to be allotted either quarterly or annually depending on the nature of the account. As with FY 2015, only the payroll account category will be allotted quarterly, with all other account categories allotted annually.

While OBM appreciates that some agencies may desire a more restrictive requirement for certain account categories, the determination of quarterly versus annual allotment periods may only be made at the account level and must apply across all agencies of state government. Consequently, OAKS FIN does not permit the customization of account categories to be annual for one agency and quarterly for another. Agencies desiring greater control may use the track or control agency budget functions contained in OAKS FIN as a tool to more tightly control division or section budgets within the agency.

B. Development of Allotment Budgets & Timing of GRF Expenditures

Allotment planning is a tool used to manage obligations by the category or type of expenditures that are planned by an agency for the upcoming fiscal year. In addition, the impact allotments will have on disbursements and cash flow for the General Revenue Fund (GRF) over the course of the fiscal year should also be a consideration. Keep in mind that allotments are to be based on when an agency estimates that appropriations will be encumbered and disbursed, meaning that there is often a direct correlation between this exercise and the development of GRF disbursement estimates, especially as it relates to the payroll portion of agency expenditures. In developing their allotment budgets, agencies should, to the greatest extent possible, develop plans that assume the disbursement of GRF appropriations evenly throughout the course of the fiscal year. For example, GRF subsidy payments should be made no less often than quarterly or monthly, depending on statutory requirements. Additionally, as in prior years for programs funded from a combination of GRF and non-GRF sources, agencies should plan to expend available non-GRF appropriations before using GRF supported appropriations.

Additionally, in comparing obligations by account across time, agencies should consider the shift in certain expenses that were previously under account 530 to account 520 beginning in FY 2015. This change to the account code structure increased the equipment threshold from \$300 to \$1,000, which matches the threshold in the DAS asset policy. As a result, agency equipment purchases from \$300 to \$999.99 (such as desks, chairs, desktop computers, laptops, and tablets) are no longer 530 equipment expenses. Instead, they are supposed to be coded as 520 supplies and maintenance expenses.

C. FY 2016 Allotment Control Totals

Control totals for the initial allotment budget will be the FY 2016 appropriation amounts enacted in HB 53 (Transportation) or contained in the House Passed versions of HB 64 (Main Operating), HB 52 (Workers' Compensation), and HB 51 (Industrial Commission) budget bills. The OBM budget analyst will provide these control totals directly to the agency. If, after receiving the control totals, an agency believes that these totals are incorrect, they should immediately notify their OBM budget analyst to discuss and remedy the situation.

II. Preparation and Submission of Allotment Budget

A. General Instructions

Agencies are to complete the OAKS Budget Journal Template and submit it to their OBM budget analyst no later than **June 19, 2015**. At the same time, each agency should also prepare a single allotment journal for the agency and notify their OBM budget analyst of the Journal ID number. After OBM reviews and approves each agency's final allotment plans, OBM will then post the allotment journal in OAKS FIN for use in FY 2016. **Each allotment journal must have a journal date of July 1, 2015 in order for those allotments to be accessed in FY 2016.**

Agencies can find allotment templates, copies of guidance documents, and other allotment resources on the OBM website at <http://obm.ohio.gov/sectionpages/Budget/default.aspx>.

In completing this process, agencies should rely on the following pieces of information:

- Agency Control Totals (OBM budget analyst)
- OAKS ChartField Definitions by Account
- OAKS FIN or Business Intelligence (BI) reports from FY 2015 and prior years that provide a portrait of historical spending patterns.

Should agency staff members have any questions regarding the allotment process or experience difficulties in completing the required allotment journal, they should contact Jeff Newman (Jeff.W.Newman@obm.ohio.gov) or the agency's assigned OBM budget analyst.

B. Step-by-Step Instructions

Allotment Budget Journal

Required Data: The allotment budget will designate the following: **Budget Period, Fund, Line Item, Account Category** and the **Amount**. (See below for details regarding the coding methodology for each of these items.)

Provided Template: OBM is providing a template to use to enter your agency's allotment budget for FY 2016. This template is only for the purpose of submitting the allotment budget to OBM. In addition to submitting the completed allotment budget template to OBM, the agency is also responsible for entering or uploading the allotment journal in OAKS. These journals should be identical to what the agency submits to OBM and must have a journal date of July 1, 2015.

Identify the Budget Period

- Only the payroll account (500) is allotted quarterly, while all other account categories are allotted annually. Agencies should designate all other quarters in the following format:

Quarter 1: 2016Q1
Quarter 2: 2016Q2

Quarter 3: 2016Q3
 Quarter 4: 2016Q4

For all non-payroll account categories, the budget period is 2016. For payroll, agencies should assume 26 pay periods for FY 2016, with quarters 1, and 3 containing seven pay periods and quarters 2 and 4 containing only six pay periods.

Identify the Fund (4-digit Code)

Agencies will:

- Prepare allotments for all funds for all revenue sources from which expenditures will be made.
- Confirm the prepared allotment budget journal includes all relevant funds.

Identify the appropriation line item (ALI) (6-digit Code)

Agencies will:

- Prepare allotments for all ALIs for which appropriations are authorized.
- Confirm the prepared allotment budget journal includes all relevant ALIs.
- Ensure that the prepared Allotment budget journal for each ALI does not exceed the control total provided by OBM.

Identify the Account Category (3-digit Code)

Agencies will:

- Prepare allotments for all applicable Account Categories.
- Confirm the prepared Allotment Budget journal includes all relevant Account Categories for each ALI.
- Ensure that the cumulative amount allotted by account category does not exceed the control totals provided by OBM at the ALI level.
- Below is a listing of the Account Categories that agencies should use in preparing allotments. Again, unless specifically identified as quarterly, all Account Categories must be allotted annually:

Account Category/Description
500 – Personal Service/Payroll (Quarterly)
510 – Purchased Personal Service and Other
520 – Supplies and Maintenance
530 – Equipment
550 – Subsidies and Shared Revenue
560 – Goods and Services for Resale
570 – Capital Items
590 – Judgments, Settlements, and Bonds
591 – Debt Service
600 – Unassigned (Available for use if an agency opts not to allot the full amount at the beginning of the year)

Identify the Amount

Agencies will:

- Indicate the appropriate amounts for each Account Category.
- Be certain that the amount for all Account Categories within a line item cannot exceed the control total for the associated line item.
- Make sure that all allotments are in whole dollar amounts rather than dollars and cents.

C. General Considerations for Preparation & Review

Technical Review

- Are all funds and line items accounted for within the allotment?
- Does the total allocation by line item equal the fiscal year control amount provided by OBM?
- Is the addition correct? Are allotments in whole dollars and no cents? (keep in mind if copying and pasting from Excel)
- Has the agency considered the relevant Account Classes when developing the Allotment Budget for each Account Category?
- When comparing FY 2015 to previous years, has the agency taken into account the expense code changes made by OBM between maintenance and equipment beginning in FY 2015?
- Has the agency prepared allotments for all applicable categories (i.e., payroll, purchased personal services and other, maintenance, equipment, subsidy, refunds)?

Substantive Review

Payroll

- Are the allotments sufficient to cover payroll projections for the fiscal year?
- Are payroll allocations consistent with the number of pay periods per quarter? There are currently twenty-six payrolls to account for with seven in quarters one and three and six in quarters two and four (7, 6, 7, 6).
- Do not assume estimated costs attributable to payroll changes included in any collective bargaining agreement. OBM will provide further guidance on the treatment of any additional payroll costs once agreements are finalized and final appropriations set later in the budget process.

Purchased Personal Services

- Has the agency considered the timing of entering into contracts and developed their allotment budgets accordingly?

Maintenance

- Has the agency considered rental expenses and other major maintenance costs and the timing for incurring these obligations?
- Have effected GRF agencies included new rental expenses in their allotments? Specifically, beginning in FY 2016, GRF-funded Executive Branch agencies housed in space operated by the Department of Administrative Services (DAS) now have their rent paid directly from the agency budget instead of a line item in the DAS budget.
- Similar to payroll, if an agency housed in DAS space had their GRF appropriations for rent completely eliminated from the House Passed version of HB 64, they should not allot for this purpose at this time. OBM will provide further guidance to these agencies once HB 64 appropriations are final. GRF agencies in DAS space that received a partial reduction in GRF appropriations for this purpose, should allot the residual amount for rent, with further guidance forthcoming once HB 64 appropriations are final.

Equipment

- Do the allocations provide for the types of equipment necessary to continue the agency mission?

Subsidy

- Are payments distributed as evenly as possible across the fiscal year?
- Has the agency communicated the need to, where possible, distribute subsidy payments no less than quarterly to program staff and subsidy recipients?

General

- Does the allotment budget reflect expenditure of available non-GRF appropriations prior to GRF supported appropriations?
- Are GRF-supported appropriations distributed throughout the fiscal year (if non-GRF sources are not applicable or available)?
- Does the current fiscal year experience lend any insight into the development of the new fiscal year allotment budget?
- Are the allotments for non-GRF supported ALLs consistent and supportable with estimated cash resources and the timing of those receipts?

III. Deadlines/Key Dates

As mentioned above, allotment budgets are due from agencies by **Friday, June 19, 2015**. Agencies must upload journals in OAKS FIN and submit the allotment plans by email to the OBM budget analyst by this date. Again, OAKS FIN journals must have a journal date of July 1, 2015.

Once all budget bills are enacted (assumed to be sometime in late June) agencies will be directed to adjust their allotments accordingly to reflect changes occurring from the House Passed budget.

IV. Submission and Adjustments to the Allotment Budget

As discussed previously, since changes in appropriation levels are likely to occur in later versions of the budget bills (i.e., Senate and Conference Committee), agencies will be directed to modify their allotment plans once final appropriation amounts become known. Again, OBM anticipates that this will occur at some point in late June. As a result, agency fiscal personnel may be contacted by their OBM budget analyst to make revisions as necessary in order to insure that allotment plans do not exceed appropriations. We request your understanding and assistance in making these adjustments in as a short amount of time as is possible and submitting them to the OBM budget analyst for review. Once the OBM budget analyst has notified you of their approval of the modified plan, please make final adjustments to the allotment journal you previously prepared and the OBM budget analyst will then post it for use in FY 2016.

Once allotments are approved and posted by OBM and the new fiscal year has begun, it may be necessary to adjust the allotments from time to time due to unanticipated expenditures or changes in appropriation levels. These requests will be considered on an as needed basis by the OBM budget analyst whose approval will then be required. In such instances, agencies will enter an allotment budget transfer in OAKS FIN reflecting the necessary adjustments as well as sending an explanation of the change to the OBM budget analyst. The OBM budget analyst will review the request, follow-up with any clarifying questions and, if all is in order, approve the journal for posting.

Agency budgets: In addition to the allotment planning process, which requires agencies to submit their allotment budgets by June 19, 2015 and envisions posting those by June 30, 2015, agencies also need to load and post their own agency budgets no later than June 19, 2015. While the allotment budgets will be posted by OBM, the development, loading, and posting of the agency budgets (i.e., track and control budgets) is strictly an agency function. Direct questions concerning agency budgets to the General Ledger team at OBM.Chartfield@obm.state.oh.us.