



DATE: October 17, 2003
TO: Directors and Fiscal Officers of Departments, Agencies, Boards and Commissions
FROM: Thomas W. Johnson, Director 
RE: Capital Reappropriations for FYs 2005 and 2006

Attached to this memorandum is guidance describing how OBM would like agencies to prepare requests for capital reappropriations for FYs 2005 and 2006. Please review the guidance carefully and talk to your OBM budget analyst if you have any questions about it.

Reappropriation of Previously Authorized Projects

As you may recall from the preparation of previous capital reappropriations bills, the primary purpose of the bill is to reappropriate capital projects that were first appropriated in the current capital bill (HB 675) or that were reappropriated in the current capital reappropriations bill (HB 524) and that have not yet been completed. Four agencies (BOR, OVH, PWC, and SFC) also received new capital appropriation in either HB524, HB94, or SB 261 that may need to be reappropriated.

Reappropriation of Old Encumbrances

As part of the reappropriations process, you will also need to review your agency's old capital encumbrances (these are capital encumbrances that will be four years old or older on June 30, 2004). Based on this review, the old encumbrances that you no longer need will be canceled. Those that are still needed must be reappropriated in the capital reappropriations bill or they will not be available to your agency after June 30, 2004. Sufficient justification for the reappropriation of these old encumbrances must be provided.

Schedule

We have a tight schedule for preparing the reappropriations bill. We hope to prepare a bill and have it enacted by the General Assembly by April 1, 2004, so that it will become effective July 1. To meet this timeline, we want to have a bill ready for introduction in January 2004. Therefore, it is important that your staff works closely with OBM between now and early January 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.

Here is the general schedule that we would like to follow for preparation of the capital reappropriations bill:

Oct. 17, 2003	Distribute capital reappropriations guidance to agencies.
Nov. 17	Agencies submit reappropriations requests to OBM
Nov to Jan	OBM reviews requests, resolves issues and drafts bill
Jan 2004	Draft bill given to LSC and LBO
February 2004	Reappropriations bill ready for introduction

Attachment

Requesting Capital Reappropriations

OBM's Guidance to State Agencies for Fiscal Years 2005 and 2006

The process for requesting capital reappropriations for fiscal years 2005 and 2006 is essentially the same as it has been for the last several bienniums. As you know, appropriations are only good for two years. An agency's capital appropriations that are not disbursed or encumbered at the end of this two-year period must be reappropriated or they will lapse and no longer be available to the agency.

There are four basic things that agencies need to do as part of the capital reappropriations process:

- 1) Identify which current capital ALIs (this includes current capital items from HB 675, SB 261, SB 242, and HB 94 as well as current capital appropriations and reappropriations from HB 524 and items created by the Controlling Board) need to be included in the capital reappropriations bill.
- 2) Estimate the amount to be reappropriated for each item.
- 3) Agencies with "old capital encumbrances" (this term is defined later in the guidance) will receive a report listing them from their OBM budget analyst. Review the report and indicate which are needed after June 30, 2004 and which are not.
- 4) Review budget language associated with the capital reappropriations and notify OBM of what needs to be included and any changes that need to be made.

The deadline for submitting capital reappropriation information to OBM is Monday, November 17, 2003. Agencies will submit as many as three things to OBM:

- A spreadsheet listing the items that need to be reappropriated and the estimated reappropriations amounts (all agencies will need to submit this);
- A marked up CAS report showing what should be done with old encumbrances (if an agency has any); and
- Any language that needs to be included in the bill.

The reappropriations process, the spreadsheet that all agencies must submit, the CAS report for old encumbrances, and other related information are described in more detail in the following sections of the guidance. These sections cover the following six topics:

1. What agencies need to have reappropriated and why.
2. What OBM will give agencies regarding reappropriations and what they should do with it.
3. The capital reappropriations spreadsheet and what to do with it.
4. The CAS report for old encumbrances and what to do with it.
5. Limits on what will be reappropriated.
6. Community projects.

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

Requesting Capital Reappropriations
For Fiscal Years 2005 and 2006

SECTION 1
What Do Agencies Need
to Reappropriate and
Why?

- ✓ **H.B. 675 items**
- ✓ **H.B. 94 items**
- ✓ **S.B. 261 items**
- ✓ **S.B. 242 items**
- ✓ **H.B. 524 items**
- ✓ **Capital items created by the Controlling Board**
- ✓ **Old Encumbrances**

The appropriations made for capital projects in HB 675 (the current capital bill), SB 261, SB 242, HB 94, and HB 524 (the current capital reappropriations bill) will expire on June 30, 2004.

Agencies should review the status of all capital items in these bills and items created by the Controlling Board from items in these bills. Agencies should request reappropriations for those items that will have unassigned and available balances as of June 30, 2004, if those balances will be needed to complete the project.

Capital appropriations that will be disbursed or encumbered by June 30, 2004, 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 ALIs that need to be reappropriated and that these ALIs are on the spreadsheet 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 early January, at best, because that is when the reappropriations bill will be prepared. Items that are created by the Controlling Board after January 11, 2004 and before June 30, 2004 that will need to be reappropriated can not and will not appear in the bill. **Agencies should keep a list of line items created during this period of time.** OBM will deal with items that are created during the period after January 11, 2004 and before June 30, 2004, and that need to be reappropriated, by including language in the bill that reappropriates any items created by the Board after January 11 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 11, 2004, must be in the reappropriations bill in order to be reappropriated.
- ❑ OBM analysts and their agencies will have to work together between November 17, the date that reappropriations requests are due to OBM, and January 11 to keep each agency's list of items to be reappropriated up to date.
- ❑ Items created by the Controlling Board after January 11, 2004 and before June 30, 2004 will be reappropriated (if they need to be) 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

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reappropriated items that will be set up in the accounting system after July 1, 2004.

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, 2004 (this means that the date of record in the state's accounting system for the encumbrances is June 30, 2000 or earlier). A report listing these encumbrances will be provided to each agency by its OBM budget analyst. 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.** Those that are not needed will be canceled in June 2004 and the funds will lapse. More information on the old encumbrances process is in Sections 2 and 4, below.

SECTION 2
What will Agencies Get
From OBM to Work
With and What Should
They Do With It?

- ✓ Spreadsheet
- ✓ CAS Report

Agencies will receive two things from OBM: (1) A **spreadsheet** showing the status of their capital appropriation line items as of September 30, 2003; and (2) A **CAS report** (RSPND04L) off of the Central Accounting System that shows the status of old capital encumbrances as of October 6, 2003 (only agencies with old encumbrances will receive the CAS report). What agencies should do with the spreadsheet and the CAS report is described below in Sections 3 and 4.

SECTION 3
The Capital
Reappropriations
Spreadsheet and What to
Do With It

- ✓ Review the Spreadsheet
- ✓ Enter Information in the Spreadsheet
- ✓ Return it to OBM

Your OBM budget analyst will provide you with a spreadsheet. This will be in the form of either a printout or an electronic file in Excel format. The spreadsheet shows, as of September 30, 2003, the list of possible items to be reappropriated. An example of this spreadsheet for the Department of Alcohol and Drug Addiction Services is shown on the next page.

Requesting Capital Reappropriations
For Fiscal Years 2005 and 2006

Department of Alcohol and Drug Addiction Services													
Potential Capital Reappropriations for Fiscal Years 2005 and 2006													
State Accounting Data as of September 30, 2003													
(amounts rounded to the nearest dollar)													
Agency	Fund	BFY	Line Item	Item Description	Column 1 Total Appropriated	Column 2 Amount Transferred	Column 3 Adjusted Appropriation	Column 4 Disbursed Amount	Column 5 Amount Encumbered	Column 6 Amount Unassigned	Column 7 Available Balance	Column 8 Total Avail. & Unassigned	Column 9 Requested Reappropriation
ADA	033	1999	CAP-001	CAP-001RENOVATE ROLLMAN CENTER	\$ 15,785	\$ -	\$ 15,785	\$ -	\$ 15,785	\$ -	\$ -	\$ -	\$ -
ADA	033	1999	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 35,519	\$ -	\$ 35,519	\$ -	\$ 35,519	\$ -	\$ -	\$ -	\$ -
ADA	033	2000	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 34,132	\$ -	\$ 34,132	\$ -	\$ 34,132	\$ -	\$ -	\$ -	\$ -
ADA	033	2000	CAP-003	CAP-003ALCOHOL/DRUG ADDICTION CENTER RENOV	\$ 7,314	\$ -	\$ 7,314	\$ -	\$ 7,314	\$ -	\$ -	\$ -	\$ -
ADA	033	2001	CAP-001	CAP-001RENOVATE ROLLMAN CENTER	\$ 15,044	\$ -	\$ 15,044	\$ -	\$ 15,044	\$ -	\$ -	\$ -	\$ -
ADA	033	2001	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 32,823	\$ -	\$ 32,823	\$ -	\$ 32,823	\$ -	\$ -	\$ -	\$ -
ADA	033	2002	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 25,506	\$ -	\$ 25,506	\$ -	\$ 25,506	\$ -	\$ -	\$ -	\$ -
ADA	033	2003	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 227,637	\$ -	\$ 227,637	\$ 225,000	\$ 2,637	\$ -	\$ -	\$ -	\$ -
ADA	033	2004	CAP-001	CAP-001RENOVATE ROLLMAN CENTER	\$ 25,451	\$ -	\$ 25,451	\$ -	\$ -	\$ 21,098	\$ 4,353	\$ 25,451	\$ -
ADA	033	2004	CAP-002	CAP-002COMMUNITY ASSISTANCE PROJECTS	\$ 3,490,471	\$ -	\$ 3,490,471	\$ -	\$ -	\$ 3,221,500	\$ 268,980	\$ 3,490,471	\$ -
Total Department of Alcohol and Drug Addiction Services					\$ 3,909,681	\$ -	\$ 3,909,681	\$ 225,000	\$ 168,759	\$ 3,242,678	\$ 273,244	\$ 3,515,922	\$ -

The spreadsheet shows the current (current as of September 30, 2003) total potential reappropriation for each line item in column 8, the column headed "Total Available & Unassigned." Agencies should work from this list and do the following:

1. **Review the list** and enter "0" in column 9 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, or will create after September 30, 2003, that will need to be reappropriated.
3. **Estimate what the reappropriated amounts will be by line item and enter the amount in column 9.** The estimate should not exceed the estimated sum of the line item's available balance and the amount unassigned as of June 30, 2004.
4. **Return the list to your agency's OBM budget analyst no later than November 17, 2003.** After that, and through the end of December, 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.
5. **Review any general capital reappropriations language and any item-specific language from H.B. 675, H.B. 94, S.B. 261, S.B. 242, and H.B. 524** that is associated with items that need to be reappropriated. Update the language and send an electronic copy to your analyst by November 17.

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SECTION 4
The CAS Report and
What To Do With It

- ✓ **Review the Report**
- ✓ **Mark up the Report**
- ✓ **Return it to OBM**

A special accounting report has been run that shows the status, as of October 6, 2003, of capital encumbrances that will be four years old or older on June 30, 2004. If your agency has any of these old encumbrances, your OBM budget analyst will give you a copy of the report for your agency. Please review carefully each encumbrance shown in the report. Determine which of the old encumbrances your agency needs to maintain after June 30, 2004 and which you will not need. Write “KEEP” or “CANCEL” beside each encumbrance, as appropriate. For those encumbrances that you wish to keep, you must provide sufficient justification for their renewal. This justification can be provided directly on the RSPND04L report. Please return the report to your analyst by November 17 with the rest of your reappropriation request. Those indicated as “KEEP” will be considered for inclusion in the reappropriations bill. Those indicated as “CANCEL” will be canceled at the end of June 2004 and the funds will lapse. (Agencies may, of course, at any time, cancel encumbrances that are no longer needed.) **Please remember to add the line items and amounts associated with the old encumbrances to the reappropriations spreadsheet you send back to OBM. Enter these as new, separate rows on the spreadsheet and enter the words “old encumbrance” in the column to the right of the “Requested Reappropriations.”**

SECTION 5
Limits on What Will Be
Reappropriated

Unless there are special circumstances, we will not reappropriate any amounts less than \$200. If amounts less than \$200 need to be reappropriated, please talk to your OBM analyst.

Do not ask for items to be reappropriated that are not needed to complete the projects for which they were appropriated. If agencies want to use unneeded appropriations for other projects, they should talk to their OBM analyst. This may be permitted on a case-by-case basis depending on the circumstances.

SECTION 6
Community Projects

Several agencies have items that are “community projects” and the final decision whether to reappropriate these items is usually not up to the agency. The agency should discuss these items with their analyst if there is any question about whether they should be reappropriated.