




## MEMORANDUM

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

FROM: David Ellis, Assistant Director 

RE: Allotment Implementation Policy for FY 2008

DATE: September 27, 2007

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Now that the end of the first quarter has arrived, we wanted to share additional information about the transition from first quarter to second quarter allotments since nearly all funds, line items, and expense categories in the state budget are allotted on a quarterly basis for FY 2008. Although allotments are broadly applied, we will make necessary adjustments to second quarter allotments when there are first quarter transactions pending OAKS. Please understand that it is OBM's intent to hold agencies harmless in relation to documents that have been delayed in OAKS due to processing issues. Other changes will be considered once OBM has reviewed first quarter performance, determines our overall financial position, and considers agency financial positions.

As you may recall, OBM implemented quarterly allotments to enhance monitoring and management of statewide spending due to the challenging fiscal environment that this biennium presents. Since the start of the fiscal year, the condition of the economy has deteriorated and our economists indicate an increased chance of recession. As a result, it is more important than ever to maximize the tools that we have available for statewide fiscal management and to do so as early as possible in the fiscal year.

OBM's plan for quarterly allotments was outlined in our original guidance and during the fiscal officers' meeting in May, and this document is intended to provide further clarification. Please note that this plan is consistent across all executive branch agencies and all funds, since concerns are relevant to the state budget as a whole and not just the General Revenue Fund.

### Treatment of First Quarter Remaining Amounts

- Consistent with our allotment guidance in May, first quarter amounts will not be immediately available for expenditure in the second or future quarters.
- After the close of the quarter, OBM analysts will process budget transfer journals to move remaining unspent/unencumbered amounts that were designated as first quarter allotments to a 600-series account. We expect this activity to be completed on or shortly after October 1 based on September 28 reporting data.
- OBM analysts will review documents that do not have a valid budget check status in OAKS and ensure that amounts for those pending exceptions remain available.
- Our budget analysts will then work with agencies to review the amounts allotted for the first quarter and analyze activity against those allotments including encumbrances and expenditures. Due to delays in reporting, the newness of this activity, and our desire to

work with agencies to understand operations and expenditure patterns, we expect that this review process will take several weeks to complete. Once the review is complete, we will be in a position to make decisions on individual requests, especially on items involving threats to life, health, and safety. It is important to keep in mind that these decisions will be made in the overall context of a very concerning economic situation.

#### Availability of Second Quarter Amounts

- Except for payroll (category 500), OAKS is not configured for quarterly allotments so OBM created and used 600-series expense accounts to hold the planned amounts for future quarters. As a result, OBM analysts will manually process budget transfer journals to move amounts from the second-quarter 600-series expense accounts to the appropriate 500-series allotments. We expect this activity to be completed on or before October 1.

We expect that a similar process will also occur at the end of the second and third quarters, however we believe the insight we will gain will shorten the review process in the future.

Please contact your OBM budget analyst if you have questions regarding the allotment process. We will attempt to complete the review process as quickly as possible, however, please note that requests for exemptions may delay the analysts' ability to conduct the review process.

C: OBM Budget Analysts  
Executive Assistants, Office of Governor Strickland