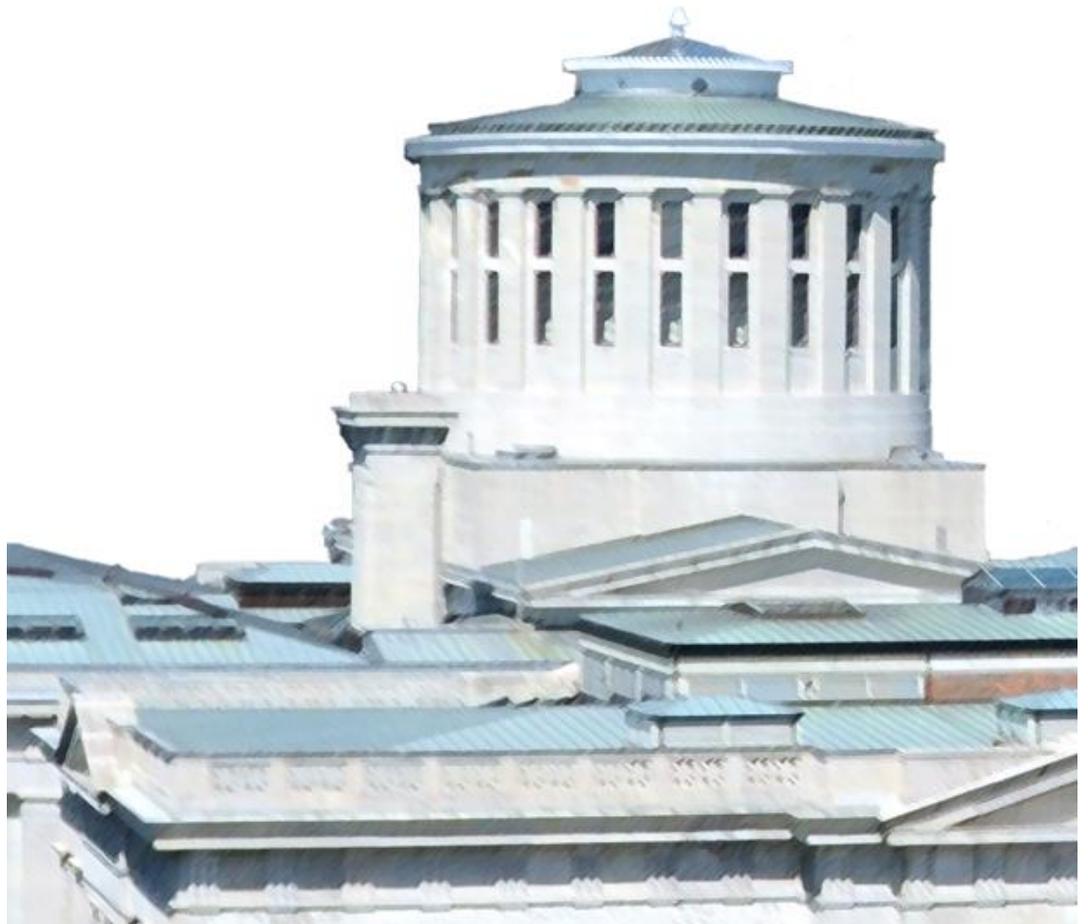




OBM

FY 2016

General Revenue Fund Disbursement Estimates





Guidance to State Agencies

Estimates Due: Monday, August 10, 2015

Disbursement Estimates: Overview and Purpose

Each fiscal year, the Office of Budget and Management (OBM) engages those agencies receiving General Revenue Fund (GRF) appropriations in order to project monthly disbursements of GRF line items for the new fiscal year. GRF spending is tracked on a monthly basis in order to gauge cash flow throughout the fiscal year and to assist OBM analysts and the administration in monitoring potential programmatic or budgetary issues. As was the process in recent years, agencies will again be responsible for developing disbursement estimates for FY 2016 and submitting them to their assigned OBM budget analyst for review and approval. As has traditionally been the practice for the first year of a biennium, in order to ensure sufficient time for review and approval prior of the estimates, the deadline for agency estimate submission is Monday August 10, 2015, with July actual spending serving as the July estimate and the remainder of estimated spending allocated across the remaining eleven months of the fiscal year.

Additionally, for the first time OBM will also be requesting that certain agencies provide an estimate of FY 2016 disbursements for their non-GRF funds as well. The process that agencies should follow in developing these non-GRF estimates should be essentially the same as that employed in developing their GRF estimates and should be submitted on the same timeline. Again, this additional requirement does not apply to all agencies and those agencies to which it does apply will be contacted by their OBM budget analyst in the next several days to discuss the process.

Background and Significance

As the state's primary operating fund, the GRF receives the unrestricted revenues of the state, including the majority of the state's tax receipts. GRF expenditures support education, human services, general government, public safety and protection, property tax subsidies, and the debt service on most state-issued bonds, as well as an array of other public services and functions. While the balance of the GRF varies throughout the course of the fiscal year depending on tax revenues and disbursement cycles, it is typically lowest in the second and third quarters of the year. Thus, tracking GRF disbursements becomes especially important when projecting the cash flow needs of the state and identifying those times of the year that will likely present the least flexibility.

Additionally, these disbursement projections, or estimates, are also important in that they are used by OBM to track and report on agency expenditures for the Governor's Monthly Financial Report, which by law must be published on the tenth day of each month. In situations where actual spending is significantly at variance with these estimates, OBM, with the assistance of policy and fiscal staff from the relevant agency, is required to explain these variances in the Governor's report. Thus, great care needs to be taken at the outset of the fiscal year to estimate these expenditures.



Estimates Should Reflect Most Current Information

As was the case in previous years, agencies, in consultation with their analysts, must develop disbursement estimates for fiscal year 2016 that reflect the unique circumstances of the enacted budget as well as any changes contained in other legislation. Each agency's assigned analyst will provide agency specific instructions as needed in order to assist the agency in identifying these assumptions, including the control amounts (appropriations plus prior year encumbrances plus potential appropriation increases authorized by the Controlling Board or other actions) that agencies should use in constructing their estimates. If an agency is unclear with respect to the amounts to use in constructing their non-debt service estimates or timing assumptions for certain payments, they should immediately contact their assigned OBM budget analyst for clarification. Debt service estimates will be developed separately by the OBM Debt Management team.

Practices to Follow

As noted above, OBM analysts will serve as a checkpoint on the work of state agencies in the development of the estimates. Based on this experience, OBM recommends that agencies should take into account the following factors or issues in the development of their preliminary estimates:

- As this is the first year of the biennium and estimates will not be received until August, July actual spending will represent the estimate for that month. As a result, the balance of any estimated spending should be allocated across the final eleven months.
- Spending should be distributed as evenly as possible throughout the fiscal year. It is the role of the agency to ensure that estimates are both realistic and help maintain flexibility in the management of the GRF. This means that estimated and actual spending should not be "frontloaded" in the fiscal year unless specifically directed in statute or temporary law.
- As part of the process of estimating disbursements, agencies will include monthly estimates of the disbursement of both current year appropriations as well as prior year encumbrances. OBM analysts will provide a report of appropriations and carry-over encumbrance amounts and agencies should be prepared to document the assumptions behind the estimated disbursement of each. Due to the fact that appropriations will have recently been set as part of the budget process, agencies should be extremely conservative in estimating lapses in either current year appropriations or prior year encumbrances.
- Ensure that all legal requirements for specific expenditures are met.
- Ensure that there are NOT consistently large payments in the first month or first quarter for each line item. If there are, an agency should be prepared to justify these estimates by citing the relevant provision in law directing such payments.
- Review prior year estimates and actual spending in order to get an idea of patterns (but remember that the payroll pattern differs from year to year with respect to the number of pay periods per month and quarter.)



Payroll – Agencies should charge payroll costs to the GRF as evenly as possible throughout the course of the fiscal year and should not engage in the practice of spending down GRF first followed by the switching to a non-GRF source later in the fiscal year. Payroll line items and expenses should be divided by the number of paychecks posted in each month. Attention should be given to the number of paychecks per month and when they are expected to post to the General Ledger (as opposed to when the pay dates occur). Since payroll journals in OAKS FIN are dated the Saturday or Sunday before payday, the expenditure for the first pay period of a month can on occasion fall in the preceding month. As a result, agency estimates should assume August and January will have three paychecks post to the General Ledger. All other months, meanwhile, will have two paychecks post. Additionally, based on a provision contained in the new collective bargaining agreement with OCSEA, state employees will receive a one-time supplemental payment of \$750 in August of 2015. As a result, agencies should also include the impact of this one-time payment in constructing their monthly estimates.

Maintenance - Expenses such as rent may be encumbered at the beginning of the year but agency disbursement estimates should be built on the assumption that they will be disbursed when the payments are actually due. Also, agencies should take into account any other major one-time expenses anticipated during the fiscal year and the timing of those expenses (e.g., conferences for smaller agencies, payment for office renovations, postage, etc.).

Equipment - Major one-time purchases and planned replacements (e.g., vehicles, new furniture, etc.) should be assumed for the months for which payment for those planned purchases will occur.

Subsidy - Agencies should review the allocation methodology required either in statute or in contracts. If the allocation is quarterly, is an equal amount disbursed each quarter, or does it follow some other irregular distribution pattern? Similarly, if the allocation is quarterly, does it all go out the first month, or is there some type of pattern driven by statutory or programmatic requirements? To the extent possible, subsidy must be evenly disbursed throughout the fiscal year.

Federal Revenue Schedule

Those agencies whose GRF disbursements are supported at least in part by federal revenue should, in addition to their spending estimates, submit a schedule of when these federal revenues will be received. This schedule should be tied to the overall agency disbursement schedule but also take into account the timing of when the federal funds will be drawn down. For example, an agency may anticipate disbursing \$100 million in GRF on February 27th, of which \$60 million will be matched by the federal government in the form of a reimbursement. However, since that reimbursement will not actually be drawn down until March 2nd, the federal revenue schedule submitted by the agency should reflect this timing issue.

Preparation of Spreadsheets



The spreadsheet that agencies will use to submit their estimates to OBM includes fields for the following input:

- Amounts estimated to be disbursed for each month
- Amounts estimated to be encumbered at the end of the fiscal year
- Amounts estimated to be lapsed
- Notes regarding the disbursement pattern for each of the line items. Use of these fields will greatly facilitate the review and approval process. (This is included on a separate worksheet on the same file.)

Timeline

The timeline for the disbursement process is as follows:

- July 24, 2015: Disbursement guidance distributed to agencies
- August 10, 2015: Agency disbursement plans due to OBM
- August 10 – August 31, 2015: OBM review and consultation with agencies
- September 10, 2015: Disbursements first published in the Governor's Monthly Financial Report

The GRF disbursement estimates spreadsheets are to be completed by the agency and submitted to their assigned OBM Budget Analyst no later than August 10, 2015.

Summary of Available Resources:

- Your OBM Budget Analyst
- Disbursement Estimate Spreadsheet Template – Provided by OBM
- OAKS Budget Details Query – Provides Original Appropriation and Spending to Date
- OAKS GRF by Line Item – Provided by OBM and Available in OAKS
- DAS Payroll Schedule for FY 2016
- Prior Year Monthly Disbursements
- Prior Year Governor's Monthly Reports at:
<http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/>