

Capital Reappropriations Guidance Fiscal Years 2017-2018






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 4, 2015

RE: Capital Reappropriations Process for FYs 2017-2018

Article II, Section 22 of the Ohio Constitution limits the length of appropriations to a period of no more than two years. Because many capital projects take longer than that to complete, 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 remain effective beyond the then current fiscal year.

As part of this reappropriation review process, OBM is requesting that agencies not only review their existing capital appropriations and request reappropriation for incomplete projects, but also review the extent to which 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 and justifications for capital reappropriations for FYs 2017 and 2018. Please review the guidance carefully and direct any questions to your OBM budget analyst.

As has been the practice in recent reappropriation processes, agencies are also directed to review older capital encumbrances (capital encumbrances that will be four or more years old as of June 30, 2016) to determine if they are still necessary. Based on this review, encumbrances that are determined to no longer be necessary 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 continuation of these old encumbrances must be provided.

Schedule

Since 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, 2016, so that it will be effective July 1, 2016. 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 budgetary language.

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

November 4, 2015	Capital reappropriations guidance distributed to agencies
December 4, 2015	Agency reappropriations requests due to OBM
December 2015 – January 2016	OBM reviews requests, resolves issues and drafts bill
Early 2016	Reappropriations bill ready for introduction

Attachment

cc: John R. Kasich, Governor
Wayne Struble, Chief of Staff
Kurt Kauffman, Acting Assistant Director, OBM
Frederick Church, Deputy Director, OBM

Capital Reappropriations Guidance – Fiscal Years 2017-2018

Overview

The Director of the Office of Budget and Management (OBM) is charged with the task of developing a biennial capital budget plan and, with the concurrence of the Governor, submitting that plan to the General Assembly (ORC 126.03). Due to a constitutional prohibition against appropriations extending beyond two years and a recognition that capital improvement projects may take several years to complete, capital appropriations must be reauthorized, or reappropriated, by the General Assembly to enable agencies to fund their capital projects without interruption and without having to request new capital appropriations.

As a part of the capital reappropriation process, OBM works with agencies to identify, review, and compile a list of appropriation lines items (ALIs) as well as project their unexpended/unencumbered amounts for the capital reappropriations. In addition to reappropriating available balances, the reappropriations process provides an opportunity to review long standing encumbrances and to consider repurposing unused capital appropriations.

Agencies should work closely with their OBM budget analyst during the capital reappropriations process. This guidance lists a number of specific situations where your agency will need to contact your OBM budget analyst. OBM budget analysts will often be the one explaining your request to decisionmakers. Keeping your OBM budget analyst updated is essential to moving through the budget process as smoothly as possible.

OBM Provided Documents

1. Agency Capital Reappropriations Request document (Request document) with the following tabs:
 - a. Reappropriations Request tab
 - b. Old Encumbrance Review tab
 - c. Repurpose Request tab
2. Agency Capital Reappropriation Justification template (Exhibit A)
3. Agency Capital Repurposing Justification template (Exhibit B)
4. Capital Appropriation Balances Report as of November 4, 2015
5. Old Capital Encumbrances Report as of November 4, 2015 (if applicable)
6. Draft Reappropriations Language (if applicable)

Agency Requirements

1. COMPLETE the Agency Capital Reappropriations Request document (Request document) and the associated justification documents.
 - a. Save the Request document as “AGY_FY1718ReappropREQ”
 - b. Complete the Reappropriations Request tab of the Request document and Agency Capital Reappropriation Justification template (See Exhibit A)
 - c. Complete the Old Encumbrance Review tab of the Request document
 - i. ONLY agencies with encumbrances established prior to July 1, 2012

- d. Complete the Repurpose Request tab of the Request document and Agency Capital Repurposing Justification template, if applicable (See Exhibit B)
 - i. ONLY agencies requesting to repurpose funds
2. REVIEW draft language related to capital reappropriations and SUBMIT any proposed changes

Deadline

All information must be submitted to your OBM budget analyst via email **no later than 5:00 p.m. on Friday, December 4, 2015.**

Capital Reappropriation Requests

The capital reappropriation process allows OBM and agencies the opportunity to review the status of all capital items, including capital appropriation established in the current capital bill, by the Controlling Board, or by any other act of the General Assembly. Agencies **must complete** the Reappropriations Request tab of the Request document and an Agency Capital Reappropriation Justification (see Exhibit A) **for each request** for reappropriation.

Concerning incomplete capital improvement projects, agencies should request reappropriation for *every* line item that will have available balances as of June 30, 2016. If an ALI is *not* included in the reappropriations bill, then any unencumbered amounts *will lapse* on June 30, 2016. If your agency anticipates the full amount will be disbursed or encumbered by June 30, 2016, then your agency does not need to request reappropriation.

Agencies should be aware that the reappropriation amounts contained in the reappropriations bill are not the **actual** amounts that will be reappropriated. Rather, the dollar values contained in the bill function as placeholders that are reasonable estimates based on agency requests and OBM's subsequent analysis. Using estimates in the bill is necessary due to the time lag between the bill's development, introduction, and passage. Language in the bill stipulates that the **actual** amount to be reappropriated for each line item is the unexpended/unencumbered and unallotted balance at the end of the fiscal year plus any adjustments that may be made by the General Assembly.

Special Circumstances

The following situations may or may not impact your agency:

Capital Appropriation Established After January 4, 2016

The reappropriation of line items created by the Controlling Board or other legislation after January 4, 2016 and before June 30, 2016 will be addressed with general language in the reappropriations bill. Agencies should maintain a list of capital line items created during this period of time to reconcile with OBM during June 2016.

Community Projects

Funding for community projects is generally passed through the agency to local communities/entities. Agencies should bring to the attention of their OBM budget analyst community projects funded two or more years ago for which funds have not yet been able to be disbursed.

Language Review

Language for the Capital Reappropriations bill is highly technical with scenarios specific to each agency. Review language carefully. Submit to your OBM budget analyst either a confirmation that the draft language is correct, or submit language corrections/additions directly to your budget analyst.

Reappropriations of Less Than \$1,000

OBM will not reappropriate any amounts less than \$1,000, unless there are special circumstances. Agencies should contact their OBM budget analyst to pursue this exception.

Reappropriation of Encumbrances Established Prior to July 1, 2012

There is no statutory limit on the life of capital encumbrances. However, the reappropriations process provides an opportune time to review whether an encumbrance is still necessary and to clean up those encumbrances that are no longer needed. To that end, agencies must identify which encumbrances are needed and which are not. Each encumbrance should be marked with “Keep” or “Cancel” with a brief descriptive justification (e.g., Outstanding invoices remain on the project) on the Old Encumbrance Review tab of the Request document. Encumbrances identified for cancellation will be canceled at the end of June 2016 and the funds will lapse. Agencies may cancel unnecessary encumbrances at any time.

Repurposing Existing Capital Appropriations

Consideration and review of requests to repurpose existing capital appropriation will be done on a case-by-case basis. The agency should coordinate such requests with their FYs 2017-2018 capital budget request and their FYs 2017-2022 capital plans to the greatest extent possible. Agencies **must complete** the Repurpose Request tab of the Request document, and an Agency Capital Repurposing Justification (see Exhibit B) **for each request** to repurpose an existing capital appropriation.

Exhibit A – Agency Capital Reappropriation Justification Template

Office of Budget and Management
Agency Capital Reappropriation Request Justification
FYs 2017-2018

Agency:

Fund:

ALI:

ALI Description:

Original Appropriation Amount:

Estimated Balance (As of June 30, 2016):

- 1) When were these appropriations first made and why have the funds not been obligated during the FY 2015-2016 capital biennium?

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- 2) If reappropriated, what projects/activities would be supported by these funds and how would these projects/activities contribute to satisfying administration and agency objectives?

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- 3) What would be the impact on agency operations and its capital facilities plan should the requested amounts not be reappropriated?

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- 4) Please provide any additional information that the agency believes would further justify reappropriating the requested funds.

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Exhibit B – Agency Capital Repurposing Justification Template

Office of Budget and Management Agency Capital Appropriations Repurpose Request Justification FYs 2017-2018

Agency:

Fund:

ALI:

ALI Description:

Original Appropriation Amount:

Balance:

Requested Amount Repurposed:

- 1) Provide a detailed description of why the funds are no longer needed for the purpose for which they were originally appropriated and of the proposed project for which the repurposed appropriation would be used.

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- 2) What would be the benefit of repurposing the existing appropriation, in terms of either agency operational improvements or budgetary savings?

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- 3) What would be the impact on agency operations and the agency capital plan if the request to repurpose the appropriation is not approved?

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- 4) Will approval of the request to repurpose this appropriation result in a reduction in the amount of capital funding needed for this purpose in the FYs 2017-2018 capital budget request? If so, please describe the impact on the agency request.

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- 5) Please provide any additional information that the agency believes would further describe the justification for approving the request.

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