



Office of Budget and Management

John R. Kasich
Governor

Timothy S. Keen
Director

Memorandum

TO: Agency Directors and Chief Financial Officers
FROM: Timothy S. Keen, Director *TK*
RE: General Revenue Fund Disbursement Guidance for FY 2013
DATE: May 30, 2012

The purpose of this memorandum is to provide state agencies with guidance regarding the General Revenue Fund (GRF) disbursement estimate process for fiscal year 2013. As you are aware, HB 153 closed a projected \$7.7 billion structural imbalance for fiscal years 2012 and 2013. While the economy has continued to grow at the modest rate assumed when the budget was enacted, potential challenges still exist. To monitor and manage these challenges, OBM tracks GRF spending on a monthly basis in order to gauge cash flow and to assist OBM analysts and the administration in identifying potential programmatic or budgetary issues. The status of GRF spending relative to estimates is then reported in the OBM Monthly Financial Report to the Governor.

Changes to the FY 2013 Disbursement Estimate Process

While the disbursement estimate process for fiscal year 2013 is nearly identical to that of fiscal year 2012, there are several minor changes. Most notable among these changes is the timeline that agencies are being asked to adhere to in completing and submitting their estimates to OBM for review and approval. Specifically, given that fiscal year 2013 is the second year of the biennium and appropriation levels are set well in advance, agencies will be required to submit their estimates to OBM by the end of fiscal year 2012. This timeline is necessary to ensure that OBM has sufficient time to review and finalize the estimates so that they can be used as a basis of comparison to analyze July agency spending for the August 10, 2012 edition of the Monthly Financial Report.

Attached to this memorandum are detailed instructions for the disbursement estimate process for FY 2013, which includes links to useful resources to support this process. A formatted disbursement spreadsheet will be provided by your OBM budget analyst via e-mail. **Agencies must submit their FY 2013 disbursement estimates to OBM by June 29, 2012.**

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

C: OBM Budget Analysts

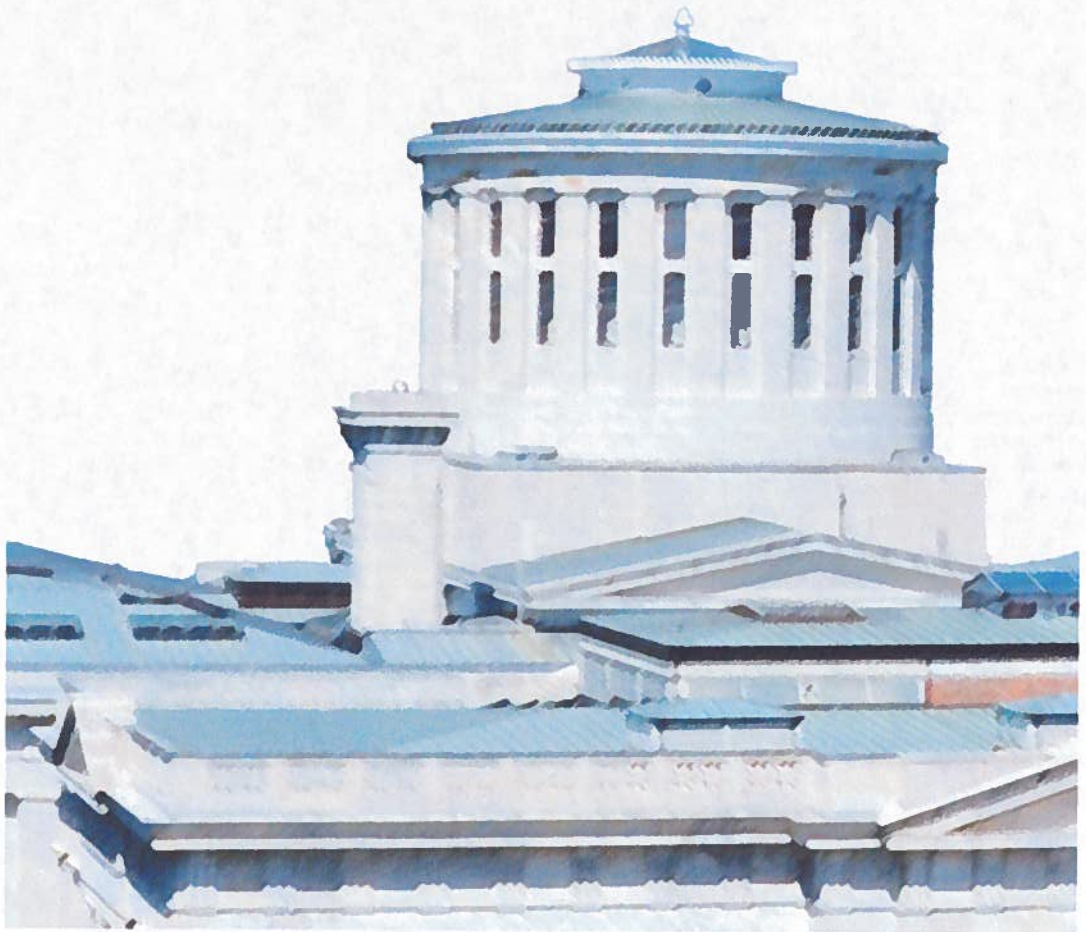
Attachment: FY 2013 Disbursement Estimate Guidance



OBM

FY 2013

General Revenue Fund Disbursement Estimates





Guidance to State Agencies
Estimates Due: Friday, June 29, 2012

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 FY 2012, agencies will again be responsible for developing disbursement estimates for FY 2013 and submitting them to their assigned OBM budget analyst for review and approval. To ensure sufficient time for review and approval prior of the estimates so that they are in place so that they can be used as a basis of comparison to analyze July agency spending for the August 10, 2012 edition of the Monthly Financial Report, the deadline for agency estimate submission is Friday June 29, 2012.

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, property tax relief, 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 considering fluctuating cash flow and the tight fiscal environment in which the state continues to operate.

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 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 Assumptions of HB 153 and the Mid-Biennium Review

As was the case in previous years, agencies, in consultation with their analysts, must develop disbursement estimates for fiscal year 2013 that reflect the unique circumstances of the enacted budget as well as any changes contained in subsequent legislation, including those adopted in the mid-biennium review process. Each agency's assigned analyst will provide agency specific instructions in order to assist the agency in identifying these assumptions, including the control amounts (appropriations plus prior year encumbrances plus potential appropriation increases authorized in the budget bill) that agencies should use in constructing their estimates. If an agency is unclear with respect to the amount 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 the state agencies in the development of the estimates. As a result, agencies should take into account the following practices or issues in the development of their preliminary estimates:

- 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. Note: Due to the extremely tight conditions in which agencies have been operating and the fact that appropriations were recently set and should thus be an accurate reflection of agency need, 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 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 September and March will have three paychecks post to the General Ledger. All other months, meanwhile, will have two paychecks post.

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 is the first quarter frontloaded? 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 process. (This is included on a separate worksheet on the same file.)

Timeline

The timeline for the disbursement process is as follows:

- May 30, 2012: Disbursement guidance distributed to agencies
- June 29, 2012: Agency disbursement plans due to OBM
- June 29 – July 31, 2012: OBM review and consultation with agencies
- August 10, 2012: 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 June 29, 2012.

**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 2013
- Prior Year Monthly Disbursements
- Prior Year Governor's Monthly Reports at:
<http://obm.ohio.gov/MiscPages/MonthlyFinancialReports/>