



Office of Budget and Management

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Memorandum

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

From: Timothy S. Keen, Director *TK*

Subject: Allotment Guidance for FY 2015

Date: May 16, 2014

The purpose of this memorandum is to provide state agencies with guidance regarding the allotment process for fiscal year 2015. The allotment process for fiscal year 2015 is structured to balance the financial planning necessary to support essential state government services with sufficient management flexibility necessary to respond to potential fiscal challenges.

As fiscal year 2014 winds down, the legislative process affecting appropriations through the various Mid-Biennium Review (MBR) bills is still in progress and is not expected to conclude until late May or early June. Additionally, OBM has made several expenditure account changes that will take effect in fiscal year 2015 which will impact how agencies allocate expected obligations between accounts 520 and 530. With these considerations in mind, agencies are being afforded additional time to finalize their allotment plans so that they may reflect the most up-to-date picture of fiscal year 2015. As a result, allotment plans will not be due to OBM until Friday June 20, 2014. This timeline should provide agencies the opportunity to fully include final appropriation changes included in the MBR as well as take into account any additional information that may arise that would impact fiscal year 2015 agency spending plans.

The FY 2015 Allotment Process

As you will see in the guidance document, the allotment process for fiscal year 2015 is nearly identical to that of fiscal year 2014 in that it requires only payroll account spending (account 500) to be allotted on a quarterly basis. Attached to this memorandum are detailed instructions for the allotment planning process for fiscal year 2015, which includes links to useful resources to support this process. A formatted allotment planning spreadsheet, as well as a template for administrative spending plans, will be provided by your OBM budget analyst via e-mail. Again, the due date for submitting these plans is **Friday June 20, 2014**.

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

C: OBM Budget Analysts

Attachment: FY 2015 Allotment Planning Guidance

**Office of Budget and Management
FY 2015 Agency Allotment Planning Guidance
May 16, 2014**

Please review the entire guidance document for important information regarding the allotment process and changes from prior years.

The FY 2015 allotment planning guidance document is organized as follows:

I. Background

- A. Purpose of the Allotment Process
- B. Account Changes and Other Factors to Consider in the Development of Allotment Plans
- C. Mid-Biennium Review and FY 2015 Allotment Control Totals

II. Preparation & Submission of the Allotment Budget

- A. General Instructions
- B. Step by Step Instructions
- C. General Considerations for Preparation and Review

III. Deadlines/Key Dates

IV. Submission and Adjustment of the Allotment Plan

I. Background

A. Purpose of the Allotment Process

Allotment plan: Allotment plans are one financial management tool employed by the Office of Budget and Management (OBM) to ensure the responsible expenditure of state resources. Specifically, this process assists OBM in managing the state's finite resources by requiring agencies to review their responsibilities and to estimate both how they anticipate obligating their FY 2015 appropriations and the timing of those obligations.

Allotment budget: The allotment budget breaks down each appropriation line item (ALI) by the Account Category level of the Account Chartfield (i.e. 500, 510, 520, etc). Each of these account categories is required to be allotted either quarterly or annually depending on the nature of the account. As with FY 2014, only the payroll account category will be required to be allotted quarterly, with all other account categories allotted annually.

While OBM appreciates that some agencies may desire a more restrictive requirement for certain account categories, the determination of quarterly versus annual allotment periods may only be made at the account level and must apply across all agencies of state government. Consequently, OAKS FIN does not permit the customization of account categories to be annual for one agency and quarterly for another. Agencies desiring greater control may use the track or control agency budget functions contained in OAKS FIN as a tool to more tightly control division or section budgets within the agency.

B. Factors to Consider in the Development of Allotment Budgets

As with the current fiscal year, healthcare cost trends for state employees continue to be lower than expected. As a result, for FY 2014, the premium increase was lower than the 10% assumed in OBM's FY 2014-2015 budget guidance to agencies. This is again the situation for FY 2015 as premiums will be held flat with FY 2014 instead of increasing by 10% as agencies were instructed to plan for in budget guidance. While these savings are good news, agencies should not allot and plan to spend these dollars on new activities, services, or equipment as this freed up payroll will be needed to support activities in other areas where costs are expected to increase in FY 2015. In particular, the Department of Administrative Services (DAS) is working on its FY 2015 rates for information technology services. As the Office of Information Technology (OIT) grows in size to accommodate much larger agency service volume, rates are expected to increase for a time to cover these higher costs while more and more agencies transition to buying additional services from OIT. As agencies will receive these services through OIT, the amounts they were directly expending for this purpose should decrease over time resulting in savings in future years. Additionally, as OIT volume increases, it is expected that rates will be driven back down in the years beyond FY 2015. In addition, rent increases experienced in FY 2014 should be expected to remain at similar levels in future years, due to moving to a current-cost model as required by DAS's federal auditor. To address these increases, agencies may wish to consider reserving the health care savings by leaving that portion of their budget unassigned until such time that the additional costs are specifically identified.

In addition to factoring in the savings attributable to flat healthcare costs, agencies must also develop allotment plans that reflect recent account code changes identified by OBM for FY 2015. Specifically, agencies should consider that certain expenses that are currently categorized under account code 530 will now be under account 520. Additionally, as part of this process of simplifying the expense account code structure for FY 2015, OBM has also

increased the equipment threshold from \$300 to \$1,000, which matches the threshold in the DAS asset policy. As a result, agency equipment purchases from \$300 to \$999.99 (such as desks, chairs, desktop computers, laptops, and tablets) will no longer be 530 equipment expenses. Instead, they should be coded as 520 supplies and maintenance expenses and agencies should accordingly adjust 520 allotments upward and 530 allotments downward in their allotment plans to reflect these changes.

C. Mid-Biennium Review and FY 2015 Allotment Control Totals

Because several agencies appropriation levels may be modified in the various Mid-Biennium Review (MBR) bills, agencies are being provided additional time to develop their FY 2015 allotment plans. OBM expects that all legislative changes occurring as part of the MBR process should be final by late May or early June. Thus, agencies should use either their current FY 2015 appropriation amounts (adjusted for any Controlling Board changes) or those amounts as amended by any enacted MBR legislation (whichever applies). To assist the agency, once MBR appropriation amounts are final, their assigned OBM budget analyst will provide the appropriate control totals directly to the agency. If, after receiving control totals, an agency believes that these totals are incorrect, they should immediately notify their OBM budget analyst to discuss and remedy the situation.

II. Preparation and Submission of Allotment Budget

A. General Instructions

Agencies are to complete the OAKS Budget Journal Template and submit it to their OBM budget analyst no later than **June 20, 2014**. At the same time, each agency should also prepare a single allotment journal for the agency and notify their OBM budget analyst of the Journal ID number. After OBM reviews and approves each agency's final allotment plans, OBM will then post the allotment journal in OAKS FIN for use in FY 2015. **Each allotment journal must have a journal date of July 1, 2014 in order for those allotments to be accessed in FY 2015.**

Agencies can find allotment templates, copies of guidance documents, and other allotment resources on the OBM website at <http://obm.ohio.gov/sectionpages/Budget/default.aspx>.

In completing this process, agencies should rely on the following pieces of information:

- Agency Control Totals (OBM budget analyst)
- OAKS ChartField Definitions by Account
- Allotment Budget Journal Form (OBM website or OBM budget analyst)
- OAKS FIN or Business Intelligence (BI) reports from FY 2014 and prior years that provide a portrait of historical spending patterns. These reports include OHGLR026 and GLS8020, which can be accessed in OAKS FIN as well as a number of BI Standard Reports.

Should agency staff members have any questions regarding the allotment process or experience difficulties in completing the required allotment journal, they should contact the agency's assigned OBM budget analyst.

B. Step-by-Step Instructions

Allotment Budget Journal

Required Data: The allotment budget will designate the following: **Budget Period, Fund, Line Item, Account Category** and the **Amount**. (See below for details regarding the coding methodology for each of these items.)

Provided Template: OBM is providing a template to use to enter your agency's allotment budget for FY 2015. This template is only for the purpose of submitting the allotment budget to OBM. In addition to submitting the completed allotment budget template to OBM, the agency is also responsible for entering or uploading the allotment journal in OAKS. These journals should be identical to what the agency submits to OBM and must have a journal date of July 1, 2014.

Identify the Budget Period

- Only the payroll account (500) is allotted quarterly, while all other account categories are allotted annually. Agencies should designate all other quarters in the following format:

Quarter 1:	2015Q1
Quarter 2:	2015Q2
Quarter 3:	2015Q3
Quarter 4:	2015Q4

For all non-payroll account categories, the budget period is 2015. For payroll, agencies should assume 26 pay periods for FY 2015, with quarters 1 and 3 containing seven pay periods and quarters 2 and 4 containing only six pay periods.

Identify the Fund (4-digit Code)

Agencies will:

- Prepare allotments for all funds for all revenue sources from which expenditures will be made.
- Confirm the prepared allotment budget journal includes all relevant funds.

Identify the appropriation line item (ALI) (6-digit Code)

Agencies will:

- Prepare allotments for all ALIs for which appropriations are authorized.
- Confirm the prepared allotment budget journal includes all relevant ALIs.
- Ensure that the prepared Allotment budget journal for each ALI does not exceed the control total provided by OBM.

Identify the Account Category (3-digit Code)

Agencies will:

- Prepare allotments for all applicable Account Categories.
- Confirm the prepared Allotment Budget journal includes all relevant Account Categories for each ALI.
- Ensure that the cumulative amount allotted by account category does not exceed the control totals provided by OBM at the ALI level.
- Below is a listing of the Account Categories that agencies should use in preparing allotments. Again, unless specifically identified as quarterly, all Account Categories must be allotted annually:

Account Category/Description
500 – Personal Service/Payroll (Quarterly)
510 – Purchased Personal Service and Other
520 – Supplies and Maintenance
530 – Equipment (with a unit cost of \$1,000 or higher)
550 – Subsidies and Shared Revenue

560 – Goods and Services for Resale
570 – Capital Items
590 – Judgments, Settlements, and Bonds
591 – Debt Service
600 – Unassigned (Available for use if an agency opts not allot the full amount at the beginning of the year)

Identify the Amount

Agencies will:

- Indicate the appropriate amounts for each Account Category.
- Be certain that the amount for all Account Categories within a line item cannot exceed the control total for the associated line item.
- Make sure that all allotments are in whole dollar amounts rather than dollars and cents.

C. General Considerations for Preparation & Review

Technical Review

- Are all funds and line items accounted for within the allotment?
- Does the total allocation by line item equal the fiscal year control amount provided by OBM?
- Is the addition correct? In whole dollars and no cents?
- Has the agency considered the relevant Account Classes when developing the Allotment Budget for each Account Category?
- Has the agency taken into account the expense code changes between maintenance and equipment made by OBM for FY 2015?
- Has the agency prepared allotments for all applicable categories (i.e., payroll, purchased personal services and other, maintenance, equipment, subsidy, refunds)?

Substantive Review

Payroll

- Is zero growth health care premium assumptions factored into payroll allotments?
- Are the allotments sufficient to cover payroll projections for the fiscal year?
- Are payroll allocations consistent with the number of pay periods per quarter? There are currently twenty-six payrolls to account for with seven in quarters one and three and six in quarters two and four (7, 6, 7, 6).

Purchased Personal Services

- Has the agency considered the timing of entering into contracts and developed their allotment budgets accordingly?

Maintenance

- Has the agency considered rental expenses and other major maintenance costs and the timing for incurring these obligations?
- Has the agency factored in account code changes identified by OBM for FY 2015 into allotment plan levels for this account?

Equipment

- Do the allocations provide for the types of equipment necessary to continue the agency mission?
- Has the agency factored in account code changes identified by OBM for FY 2015 into allotment plan levels for this account?

Subsidy

- Are payments distributed as evenly as possible across the fiscal year?
- Has the agency communicated the need to, where possible, distribute subsidy payments no less than quarterly to program staff and subsidy recipients?

Reserve/Unassigned

- Agencies are not required to allot the entire amount of their budget but instead may choose to leave a portion unassigned or allot it to account 699.
- Unassigned amounts can then be accessed by an agency once they have identified the cost and the accounts to which they will be coded.

General

- Does the allotment budget reflect expenditure of available non-GRF appropriations prior to GRF supported appropriations?
- Are GRF-supported appropriations distributed throughout the fiscal year (if non-GRF sources are not applicable or available)?
- Does the current year's experience lend any insight into the development of the new fiscal year allotment budget?
- Are the allotments for non-GRF supported ALIs consistent and supportable with estimated cash resources and the timing of those receipts?

III. Deadlines/Key Dates

As mentioned above, allotment budgets are due from agencies by **Friday, June 20, 2014**. Agencies must upload journals in OAKS FIN and submit the allotment plans by email to the OBM budget analyst by this date. Again, OAKS FIN journals must have a journal date of July 1, 2014.

IV. Submission and Adjustments to the Allotment Budget

As discussed previously, since changes to FY 2015 appropriation levels for several agencies are likely to be effected by the various MBR bills, agencies have been provided additional time to develop their allotment plans. Again, OBM anticipates that these bills will be final in late May or early-June and agencies should use either the current appropriation amounts or the modified amounts enacted by that time (whichever applies). Once agencies submit their allotment plans, they will be reviewed by their OBM budget analyst who will work with agency staff to make whatever revisions might be necessary. Once the allotment plans are reviewed and approved, the allotment journals will be posted by OBM once appropriations are loaded for FY 2015.

Once allotments are approved and posted by OBM and the new fiscal year has begun, it may be necessary to adjust the allotments from time to time due to unanticipated expenditures or changes in appropriation levels. These requests will be considered on an as needed basis by the OBM budget analyst whose approval will then be required. In such instances, agencies will enter an allotment budget transfer in OAKS FIN reflecting the necessary adjustments as well as sending an explanation of the change to the OBM budget analyst. The OBM budget analyst will review the request, follow-up with any clarifying questions and, if all is in order, approve the journal for posting.

Agency budgets: In addition to the allotment planning process, which requires agencies to submit their allotment budgets by June 20, 2014 and envisions posting those by June 30, 2014,

agencies also need to load and post their own agency budgets no later than June 30, 2014. While the allotment budgets will be posted by OBM, the development, loading, and posting of the agency budgets (i.e., track and control budgets) is strictly an agency function. Direct questions concerning agency budgets to the General Ledger team at OBM.Chartfield@obm.state.oh.us.