

STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

2011-13 Allotment Instructions

MAY 2011



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About the Instructions

These instructions describe the requirements for allotments and related processes. They outline agency requirements for preparing and submitting:

- Initial allotments – operating and capital
- Allotment amendments – operating and capital
- Major capital project and other capital allotment requirements
- Special allocations and savings incentive program information

Look for callout boxes and gray shading to find required, changed or new items

Agencies must use TALS (The Allotment System) for submitting allotments to OFM. The system offers many tools, including:

- The ability to import data from the Salary Projection System.
- The ability to import and export allotment data.
- A full range of edit checks that ensure each allotment meets all required standards, and that agencies are alerted to anomalies that may warrant a note to OFM. In many cases, the edit check will provide the user with a link to the data elements causing the error. This will facilitate review and correction.
- Flexible data views and better reports that give common views to agencies and OFM.
- Comments fields and communication log features.
- The ability to build allotments for cash receipts and disbursements based on past patterns. See [Sections 2.6](#) and [2.7](#) for more information.

Learn More

Training on the system is available for all users to help you take full advantage of system features.

Please go to <http://www.ofm.wa.gov/training/default.asp> to register for training. The class on The Allotment System - Allotment Management and Review (TALS-AMR) provides an introduction to TALS-AMR and takes you through the sequential steps of building an initial allotment and subsequent amendments.

Chapter 1

Allotment Basics

1.1 WHAT ARE ALLOTMENTS?

Allotments are a detailed plan of expenditures authorized in the budget; the assumed revenue estimates; and the related cash receipts and disbursements.

The agency, OFM, the Legislature, and the public will monitor an agency's actual spending and revenue against its allotments. Allotments must:

- Conform to the terms, limits or conditions of legislative appropriations.
- Reflect the priorities of the agency's strategic plan, the implementation of those strategies, and the achievement of performance targets.
- Serve as the agency's best estimate of how their authorized expenditures will be spent and the revenue it will earn each month of the biennium.
- Provide a monthly best estimate of the agency's expected cash flow.

Allotments are a detailed plan of the enacted budgets

Allotments support good financial management

The executive and legislative branches monitor an agency's actual spending compared to its spending plan. This monitoring helps prevent over-expenditure and improves the assumptions upon which budgets, spending plans, and other financial decisions are based. Allotments enable the state to take advantage of the expected pattern of state spending for the timing of bond sales and state-level cash management. Additionally, actual revenues are monitored to revenue estimates to ensure that resources will be available to cover anticipated spending.

Allotments and allotment controls help ensure that:

- Appropriations are used for purposes that meet legislative intent.
- Sufficient funding exists to allow the state to incur financial obligations.
- Changes in the original budget assumptions are communicated and understood.

OFM will monitor actual expenditures and revenue against allotments and post monthly fiscal status reports on the OFM website at

<http://www.ofm.wa.gov/budget/fiscalstatus/default.asp>.

We expect agencies to monitor variances and to take management action as appropriate. Administering agencies should regularly track the fiscal health of accounts for which they are responsible. Agencies can order a variety of Enterprise Reporting Administering Agency reports to assist in this effort:

<http://reporting.ofm.wa.gov/businessobjects/enterprise10/eportfolio/en/logonform.csp>

1.2 WHAT ARE THE REQUIRED COMPONENTS OF ALLOTMENTS?

Allotments and allotment amendments must contain the following fiscal data elements:

- Monthly estimated expenditures for each program by object and expenditure authority code. (The Department of Social and Health Services must provide this data at the Subprogram/Budget Unit level.) If desired, agencies may create allotments lower than the required levels.
- Monthly estimates of FTEs separated into General Fund State (GF-S) and Other Funds.
- Monthly estimates of revenue by major source, source, and account.
- Monthly estimates of cash disbursements and cash receipts by account.

Portions of the agency's expenditure authority that the agency does not yet plan to spend must be reported in either *unallotted* or *reserve* status. The total allotted and unallotted, plus reserve amounts, must match the agency's expenditure authority schedule.

Packet Purpose Types indicate the allotment purpose. OFM and the Legislature have a need to view the allotments by purpose or type. The TALS system requires users to select a particular packet purpose.

Packet purposes include:

- Initial Allotment (Operating or Capital)
- Operating 2nd Quarter Adjustments
- Operating 3rd Quarter Adjustments
- Operating 4th Quarter Adjustments
- Operating 5th Quarter Adjustments
- Operating 6th Quarter Adjustments
- Operating 7th Quarter Adjustments
- Operating 8th Quarter Adjustments
- Revenue and Cash Adjustments
- Capital Amendment
- Capital Transfer 
- Operating Allocations (used, for example, for Savings Incentive Account and Parking Revenues Account)
- 1st Supplemental (Operating or Capital)
- 2nd Supplemental (Operating or Capital)
- Legislative Allotment Reduction (Operating or Capital)
- Governor's Cash Deficit Reductions (Operating or Capital)
- Unanticipated Receipts (Operating or Capital)
- Internal Adjustments (Operating or Capital)

1.3 THE EXPENDITURE AUTHORITY SCHEDULE AND ALLOTMENT CONTROLS

The Expenditure Authority (EA) Schedule documents legal controls and budget assumptions.

The EA Schedule displays all components of an agency's budgeted expenditure authority, including appropriations, allocations, unanticipated receipts, nonappropriated account and revenue budget assumptions, and other elements. Agencies can access this schedule at any time and identify how elements have been adjusted over the biennium. The new schedule for the 2011-13 Biennium will be available to agencies soon after the Governor signs the omnibus operating, transportation, and capital budget bills and any other legislation with appropriations.

Agencies can access their schedules through the Enterprise Reporting System at:

- <http://reporting.ofm.wa.gov/businessobjects/enterprise10/eportfolio/en/logonform.csp>

For fortress users, the Internet website address is:

- <https://fortress.wa.gov/ofm/reporting/businessobjects/enterprise10/eportfolio/en/logonform.csp>

TALS will enforce Expenditure Authority Schedule control totals.

Total allotments – that is, the total dollars in allotted, unallotted and reserve status – for each appropriated expenditure authority code must equal the total expenditure authority amount shown for that code on the EA schedule.

Each time an agency submits an allotment, TALS will check to ensure that the combination of the approved and submitted allotments match the EA schedule. The allotment cannot be released to OFM if the proposed total expenditure allotments do not match the EA schedule for appropriated dollars.

TALS will also compare allotments for revenue and nonappropriated accounts to the budget assumptions on the EA schedule. If the proposed allotments vary significantly from the EA assumptions, agencies will be asked to provide an explanation to OFM.

The checklists at the end of Chapters 2, 3, and 4 summarize these pre-release edits.

Tracking Federal American Recovery and Reinvestment Act funding:

To facilitate the tracking of federal American Recovery and Reinvestment Act (ARRA) dollars, OFM created three “Appropriation Types”:

- 8 – Federal Stimulus
- U – Unanticipated Federal Stimulus
- N – Nonappropriated Federal Stimulus

While these dollars are not differentiated from the underlying federal appropriation authority in the appropriations act(s), this coding allows us to meet the more stringent federal requirements for tracking and reporting these funds. We will continue using this structure until ARRA monies are all spent down.

1.4 OTHER GENERAL PREPARATION REQUIREMENTS

The Budget, Accounting and Reporting System Act, Chapter 43.88 RCW, outlines the legal authority and responsibility of the Governor and OFM to allot public funds. Key provisions include:

- Except for legislative and judicial agencies and those headed by elected officials, the Governor will review expenditure plans for reasonableness and conformance with legislative intent.
- All public funds are subject to allotment unless specifically exempted by the director of OFM. (See June 2011 OFM memorandum)
- After initial approval, expenditure plans can be revised only for changes in assumptions each quarter; for legislative changes in appropriation levels or allocations; or for across-the-board reductions mandated by the Governor.
- Expenditure allotment revisions may not be made retroactively.
- Whenever any money from the federal government, local government, or private sources is received for a specific purpose, and there is no existing expenditure authority (or insufficient expenditure authority), the head of the agency must submit a request for expenditure authority and receive approval from OFM before expending these funds. (See Chapter 4 – Unanticipated Receipts.)

Although the expenditure allotment represents an official spending plan, the appropriation is the maximum legal authority for obligation of funds. No agency is permitted to over-expend or over-encumber any appropriation, or to expend funds contrary to the conditions placed on that appropriation by the Legislature. (The fiscal responsibilities of state officers and employees are enumerated in RCW 43.88.260 through 320.)

Generally Accepted Accounting Principles (GAAP) requirements for allotments:

Submit expenditure and revenue allotments for budgeted governmental funds on a GAAP modified accrual basis of accounting. This basis recognizes expenditures when the account liability is incurred, if measurable, and revenues in the period in which they become available and measurable. (See the State Administrative and Accounting Manual [SAAM] 80.20.50.b for more information about the modified accrual basis.) The following are exceptions:

- Allotting budgeted loans as expenditures when disbursed, and allotting repayments as revenues when received.
- Allotting capital leases as expenditures when paid.
- Federal food commodities and food stamps are not allotted.

Omit encumbrances from OFM allotments.

Encumbrances are obligations for goods, materials, and services that have been ordered but not received by the end of the accounting period. Do not include encumbrances in the operating or capital allotments sent to OFM. Agencies are encouraged to make use of encumbrances in their accounting transactions, as defined in the SAAM.

For definitions of encumbrances, expenditures, and accruals, see the SAAM at <http://www.ofm.wa.gov/policy/default.asp>.



Allotment requirements for proprietary and trust funds:

If the fund has both appropriated or budgeted *and* non-budgeted components (a mixed fund), submit expenditure allotments only for the budgeted portion of proprietary funds. However, agencies may submit allotments for expenditures in object F-costs of goods sold or object W-depreciation if the agency uses a non-budgeted EA code (Z96 or Z98) with those expenditures. This will allow agencies to view a more complete estimated expense picture in allotment reports and ensure that state databases tracking only budgeted amounts will not receive non-budgeted data.

For mixed funds, allot only the portion of revenues that pertain to these budgeted expenditures. However, agencies allotting revenue for accounts from which other agencies spend must allot sufficient revenue to cover the other agencies' authorized spending, as well as their own spending, assuming there is sufficient revenue to cover all authorized spending.

Agencies may develop additional spending plan views.

We understand that agencies may need alternative spending plan views suited to specific agency management purposes. Agencies may create additional spending plan views through the allotment system by preparing agency-use adjustment packets that can be combined with the OFM-approved allotments in reports. Use the internal adjustment packet purpose type for this purpose. These packets will not be forwarded to OFM for review and approval.

1.5 WHAT ARE THE DUE DATES?

Statute determines deadlines for submittal and approval,

Agencies must submit proposed initial expenditure plans within 45 days after the beginning of the fiscal period, or within 45 days after the Governor signs the omnibus appropriations bill, whichever is later. To help with workflow, OFM has established staggered due dates for the initial allotment. Appendix A lists the due dates for each agency.

OFM must enter approved expenditure plans into the state budget, accounting, and reporting system within 45 days of receipt.

Due dates for allotment amendments throughout the biennium can be found in [Section 3.2](#).

1.6 THE TALS SYSTEM IS USED FOR SUBMITTING ALL REQUIRED ALLOTMENT DATA

Agencies must use TALS to submit allotments.

The system offers many tools, including:

- The ability to import data from the Salary Projection System.
- The ability to import and export allotment data.

- A full range of edit checks to ensure the allotment meets all required standards, and that alerts agencies to other anomalies that may warrant a note to OFM. For many edits resulting in errors, the edit check will provide the user with a link to the data elements that are causing the error. This facilitates review and correction.
- Flexible data views and better reports to give agencies and OFM common views.
- The ability to build allotments for cash receipts and disbursements based on past patterns.
- Comments fields and communication log features.

TALS allows for extensive comments and attached documents. Agencies are strongly urged to provide documentation supporting their allotment plan. Spreadsheets, explanatory documentation, and notes anticipating questions from your OFM analyst will speed the approval process.

Go to <http://www.ofm.wa.gov/training/default.asp> to register for TALS training.



1.7 RESOURCES

For questions on:

Allotment procedures and policies:

Contact the OFM Budget Analyst assigned to your agency (see list at <http://www.ofm.wa.gov/budget/contacts/default.asp>) or:

Monica Jenkins, Budget Operations, 360-902-0561, Monica.Jenkins@ofm.wa.gov

Revenue or cash receipt and disbursement allotment:

Deborah Feinstein, Analysis, Revenue, and Compensation, 360-902-0614, Deborah.Feinstein@ofm.wa.gov

Expenditure Authority schedules:

Linda Swanson, Budget Operations, 360-902-0541, Linda.Swanson@ofm.wa.gov

Savings Incentive program:

Pam Davidson, Budget Analysis, Revenue, and Compensation, 360-902-0550, Pam.Davidson@ofm.wa.gov

Other references:

- Glossary of Budget and Allotment Terms
<http://www.ofm.wa.gov/budget/instructions/glossary.pdf>
- Budget, Accounting and Reporting Act – Chapter 43.88 RCW
<http://apps.leg.wa.gov/RCW/default.aspx?cite=43.88>

- Unanticipated Receipts; Savings Incentive Program – Chapter 43.79 RCW
<http://apps.leg.wa.gov/RCW/default.aspx?cite=43.79>
- State Administrative and Accounting Manual (SAAM)
<http://www.ofm.wa.gov/policy/default.asp>
- TALS – AMR Tutorial
http://bass.ofm.wa.gov/BassPR/library/TALS_AMR_Tutorial.pdf

Chapter 2

Preparing Initial Allotments

2.1 ABOUT THE INITIAL ALLOTMENTS

What is the purpose of the initial allotment?

The initial allotment represents the agency's initial spending plan for the enacted budget. It includes:

- The agency's plan for the 2011-13 Biennium for monthly revenue, expenditures, and FTEs based on the terms, limits, conditions, and original assumptions in the legislative appropriations and budgets.
- The related monthly plan of cash receipts and disbursements.

The initial allotment packets — operating and capital — are due July 29, August 5, or August 12, 2011, as specified in Appendix A.

When are they due?

When will the allotments be approved and available in the Agency Financial Reporting System (AFRS)?

OFM will review and approve the allotments as soon as possible within the statutory deadline of 45 days. We encourage agencies to use the checklist in Section 2.9 to minimize errors and questions that can delay the approval process. The allotments are transferred to AFRS after approval. Agencies can track the status of each allotment packet through the allotment system.

2.2 GENERAL REQUIREMENTS FOR THE INITIAL ALLOTMENT SUBMITTAL

Use an initial allotment purpose type for initial allotment packets.

Use the initial allotment packet purpose type for all initial allotment elements, including expenditures, cash receipts and disbursements, FTEs, and revenue estimates. All agencies (except DSHS) should use only one packet for the initial operating allotment. DSHS should submit one packet for each program and must identify the appropriate program in the program field in the packet header.

Take advantage of TALS pre-release warnings and edits.

One key benefit of TALS is that it automates the task of checking the completed allotments against the EA schedule. If certain edit criteria are not met, the agency will not be able to submit the packet to OFM. Other edit checks will alert the agency to significant variances between the allotment and the EA schedule, and other situations where OFM will be interested in an explanation. TALS provides several ways for agencies to include explanations and comments as part of the packet.

Like most systems, TALS will check to make sure codes and titles are consistent with established AFRS tables. TALS will also enforce a number of allotment requirements.

These **key edit criteria** must be met before initial allotment packets can be released to OFM:

- The total of allotted, unallotted, and reserve for each appropriated EA code must match the EA schedule. (Operating and capital components will be checked separately to allow these packets to be submitted separately.)
- Expenditure Allotments must be submitted at the required level for the agency. This is program level for all agencies except DSHS. Agencies may submit data at a lower level of detail than the level required.
- Allotments for funds appropriated by fiscal year (for example, General Fund-State) must be allotted in the correct year.
- The amount placed in reserve must be at least equal to any total legislative allotment reductions or Governor's cash deficit reductions on the EA schedule.
- For Option 1 agencies, total dollars allotted by object must be equal *by month* to total dollars allotted by appropriation index.
- If data is allotted in object F-costs of goods sold or W-depreciation, a non-budgeted appropriation index must be used.
- Internal agency expenditure allotments cannot exceed the appropriated EA control numbers.
- For Operating Initial, Operating Supplemental 1 and 2 packet purpose types: There must be cash disbursement allotment detail amount(s) when there are allotted expenditure detail amount(s).
- For Operating Initial, Operating Supplemental 1 and 2 packet purpose types: There must be cash receipt allotment detail amount(s) when there are revenue detail amount(s).

**Critical edits—
these criteria
must be met to
release the
allotment**

Agencies will receive **warning messages** for the following conditions and be encouraged to double-check and correct the data or provide an explanation to OFM:

- If allotments for federal or private/local expenditures do not match allotments for federal or private/local revenue.
- If allotted FTEs do not match the EA control numbers by fiscal year.
- If allotments for object T Intra-Agency Reimbursement do not net to zero at the agency level by fiscal year.
- If the pattern of allotments by object differs significantly from the current biennium pattern by object.
- If the pattern of allotments by program differs significantly from the current biennium pattern by program.
- If the monthly pattern of allotted cash receipts or disbursements differs significantly from the current biennium pattern by month.
- If the allotted revenues differ significantly from the control numbers on the EA schedule.
- If the total of allotted, unallotted, and reserve for a nonappropriated expenditure authority code does not match the EA schedule.
- For packet purpose types other than Operating Initial, Operating Supplemental 1 and 2: There should be cash disbursement allotment detail amount(s) when there are allotted expenditure detail amount(s).

**Warning edits—
these alert
agencies to
questions OFM
may have**

- For packet purpose types other than Operating Initial, Operating Supplemental 1 and 2 packet purpose types: There should be cash receipt allotment detail amount(s) when there are revenue detail amount(s).
- Any warning edits must be explained prior to release of allotment packets.

2.3 PREPARING FTE ALLOTMENTS

Record FTEs by month and fund source

FTEs represent the number of full-time equivalent staff months to be paid each month. For FTEs, agencies must designate at least one of two fund sources in the allotment: General Fund State (001) and all other accounts (996). Include General Fund-Federal, General Fund-Private/Local, and all capital FTEs in the Other Funds (996) category.

While agencies are required to distinguish only between the two fund sources noted above, agencies now have the option in TALS to indicate any specific account for FTE allotments if desired.

Defining and calculating FTE staff months

A paid staff month of employment is defined as one full calendar month of paid employment (the equivalent of 174 paid hours), including callback, overtime, and replacement help while an employee takes compensatory time. It also includes all paid leave.

To compute staff months for part-time positions or irregular hours, divide the number of paid hours by 174. The number of staff months should be entered with two decimal places.

How to allot FTEs and expenditures related to interagency agreements

Allotments are required for interagency agreements assumed in an agency's budget and must be included in the initial allotment packet. The agency providing the funding should show expenditures in Object ER. The agency receiving the reimbursement should reflect the expenditures in the appropriate object(s) and the reimbursement in the appropriate sub-objects for Object S. The FTEs are assumed to be available in the agency receiving the reimbursement. However, if additional FTEs are required for the service delivery of these agreements, agencies are permitted to exceed their allotted FTE control number as long as they provide an explanation with the allotment packet.

If an agreement is made during the biennium, the agency should submit a quarterly allotment amendment packet if the change is significant. If the agreement is the result of a supplemental budget, allotments should be made in a supplemental packet purpose type.

Allotting FTES – Use the TALS Tool

In order to ensure that OFM has a clear understanding of allotted and actual FTEs related to the enacted budget, we need to account for and segregate FTEs and expenditures related to interagency agreements.

A tool is available through TALS AMR that allows agencies to easily identify FTEs and related expenditures tied to interagency agreements in their initial allotment submittal. The tool, known as the “User Defined Field,” can be set up by agencies to display the information, by following the directions provided below.

Agencies with interagency FTEs that will be allotted to General Fund-State are strongly encouraged to use this tool. In addition, all agencies with interagency FTEs, regardless of the fund they are allotted to, should provide an attachment in the form of a spreadsheet that shows FTEs and estimated expenditures by the initiating agency, the agreement purpose, fiscal year, program, and account. Narrative descriptions should be detailed and complete.

2.4 PREPARING EXPENDITURE ALLOTMENTS

Provide monthly estimates of expenditures by object, account, and expenditure authority code

Agencies must provide estimates of monthly expenditures by object, account, expenditure authority code, and expenditure authority type.

The expenditure allotments should represent the agency’s best estimate as to how and when expenditures will be incurred within the limits of the appropriation. Expenditures, in this case, include the total of accrued and cash expenditures.

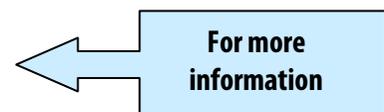
Placement of expenditure authority not planned for use in either unallotted or reserve status

Expenditure authority the agency does not yet plan to use must be placed in reserve or unallotted status. **Reserve status** applies to expenditure authority the agency does not expect to use because of circumstances such as the Governor’s cash deficit allotment reductions, technical corrections, or proviso compliance. Once funding is placed in reserve status, it usually is not allotted at a later time. **Unallotted status** refers to expenditure authority not yet specifically scheduled, but that the agency expects to allot at a future time.

If later in the biennium the agency does schedule expenditures for the authority originally placed in unallotted status, the agency must submit a quarterly adjustment packet. purpose type allotment packet. to move the authority from unallotted to allotted status.

Use the correct object codes

For more information on object codes, see Section 75.70 in the SAAM at <http://www.ofm.wa.gov/policy/75.70.htm>.



Allotment reductions

Sometimes, rather than adjusting the individual agency appropriations, the Legislature includes a summarized allotment reduction in the appropriations bill. Usually found in the latter sections of the appropriations bills, the language often directs OFM to allocate the reduction to agencies on some basis. OFM may provide specific instructions for allotting these reductions once the bill is enacted. The instructions would describe the allotment reduction, the methods used to calculate the amount, and spreadsheets displaying specific

amounts for each agency. Agencies would use a legislative allotment reduction packet purpose type for these adjustments.

2.5 PREPARING REVENUE ALLOTMENTS

Provide monthly estimates of revenue by major source, source, and account.

Provide monthly estimates by major source, source, and account for all revenue, including operating revenue transfers for which the agency is responsible. Revenues include the total of accrued and cash revenue.

Agencies must submit allotments for all revenues they collect, even if those revenues are spent by other agencies.

**Allot only
revenues your
agency collects**

Revenue allotments must include revenue transfers

Agencies sometimes forget to include revenue allotments for certain types of transfers they will make (e.g., operating transfers and statutory transfers between accounts). These revenue transfers must be allotted.

Sometimes more than one agency or account is involved in a transfer. In these cases, the allotments must be consistent with the way each agency will record the actual transfer. In almost all cases, an agency records both sides of the transfer, even if the agency does not actually administer one or more of the accounts involved. In the event that another agency will record part of the transfer, please coordinate with that agency to ensure you are using the same assumptions in your allotment estimates. Only the State Treasurer should allot those transfers required by statute to be made by the Office of the State Treasurer.

Constraints on federal and private/local revenue allotments

Provide revenue estimates for federal and private/local accounts to match expenditures authorized by the Legislature, or the amount expected, whichever is less. Revenue estimates for federal or private/local account sources should match expenditures in both the operating and capital budgets. There are a few exceptions where federal and private/local revenue and expenditures will not match. Please include an explanation with your allotments in these cases.

Revenue allotments must conform to the most recent forecasts

For those agencies with revenue subject to review by the Economic and Revenue Forecast Council or the Transportation Revenue Forecast Council, monthly estimates must be consistent with the current forecast. For agencies that prepare their own dedicated account forecasts, monthly estimates must be consistent with their agency's current forecast.

Allotting revenue for proprietary funds

Submit revenue allotments only for the budgeted portion of proprietary funds. Since expenses in proprietary funds are typically not fully budgeted, only the portion of revenues that pertain to the budgeted expenses should be allotted. These estimates must contain sufficient revenue for all agencies spending from the account, and must cover

compensation allocations if these are included in the budget. Do not submit revenue allotments for nonbudgeted accounts.

The Expenditure Authority Schedule provides the revenues assumed in the budget and official forecasts

TALS will compare the revenue allotments with the EA Schedule, which shows the revenues assumed in the budget and official forecasts. If there is a significant variance, the agency will receive a warning message and a prompt to review and correct the allotment, if necessary, or to provide an explanation to OFM.

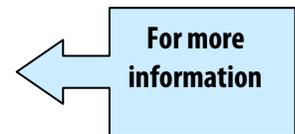
If you feel that the EA Schedule revenue assumptions are in error and need correction, contact Deborah Feinstein in OFM Analysis, Research, and Compensation, at Deborah.Feinstein@ofm.wa.gov.

Revenue may be split between the capital and operating initial packets

Agencies may submit all revenue as part of the initial operating allotment or may divide revenue between the operating and capital initial packets, as appropriate. In the latter case, any revenue included in the capital allotment should be specifically related to capital purposes.

Use the correct source codes

Section 75.80 of the SAAM lists appropriate revenue source codes and titles: <http://www.ofm.wa.gov/policy/75.80.htm>.



On what accounting basis should revenue be estimated?

In accordance with generally accepted accounting principles (GAAP), revenue allotments in governmental funds should be based on the modified accrual basis. That means revenues are recorded when available and objectively measurable. “Available” means collectable within the current period or soon enough thereafter to be used to pay the liabilities of the current period. “Measurable” means the amount of the transaction can be determined.

In proprietary and fiduciary funds, revenue allotments should be estimated on an accrual basis. That means revenues are recorded when earned and objectively measurable.

Revenue allotments for 2011-13 should exclude revenue earned in 2009-11 even if the cash was received in the 2009-11 Biennium. Revenue allotments for 2011-13 should include any revenue earned in 2011-13, even if it is not expected to be received until the 2013-15 Biennium.

2.6 PREPARING CASH DISBURSEMENT ALLOTMENTS

Cash allotments are critical for statewide cash management

OFM and the State Treasurer use cash disbursement and receipt allotments for statewide cash management, both to estimate the cash balances in the treasury and to estimate the size of bond sale needed for funding projects in the capital budget. During tight budget

times, cash management becomes a critical function. It is important that these allotments be the best possible estimates of the timing of cash flows to prevent unnecessary and costly cash management practices.

Because the cash disbursement allotments are presenting the best estimate of actual cash outflows, they do not need to, and in most cases, should not equal the total appropriation. The most common example of a difference between when the expenditure is recorded and when the cash is disbursed is the second pay period of the month. The expenditure is accrued for the month in which the employee worked, but the cash is not disbursed until the 10th of the following month, when pay day arrives.

Required elements of cash disbursement allotments

Agencies must provide monthly cash disbursement estimates at the agency/account level.

OFM will compare cash disbursement allotments with actual cash activity in the Treasury Cash (credit) general ledger activity (code 4310). This should include cash outlays by warrant, journal vouchers, electronic fund transfer transactions, and transfers to payroll and vendor payment revolving accounts.

For General Fund (001) cash disbursement estimates, provide a combined total of General Fund-State, General Fund-Federal, and General Fund-Private/Local. Do not record federal and private/local sources separately.

TALS provides a tool for estimating cash flows in the initial allotment

Monthly patterns of expenditures and cash disbursements do not usually match exactly due to timing differences between when an expenditure is incurred and when the bill is actually paid. We encourage agencies to analyze the cash flow patterns of the 2009-13 Biennium when developing the cash disbursement allotment for the 2011-13 Biennium.

TALS assists agencies in developing their initial cash disbursement allotment. Agencies can identify the total expected cash flow for the fiscal period for a given account, and the system will develop a monthly allotment based on the pattern of the current biennium. Once this allotment is created, agencies can modify monthly amounts as needed.

OFM strongly urges agencies to use this tool to develop cash disbursement allotments.

OFM will provide approximate cash control amounts for agencies to use once the final enacted budget is available. The combination of using these control numbers, and the cash tool for the patterning, will help ensure that allotment packets are not likely to be rejected because of the cash estimates.

2.7 PREPARING CASH RECEIPT ALLOTMENTS

Required elements of cash receipt allotments

Agencies must provide monthly cash receipt estimates at the agency/account level. Agencies may indicate the major source and source, but this is no longer required by OFM.

OFM will compare cash receipt allotments with actual cash activity in the Treasury Cash (debit) general ledger activity (code 4310).

For those agencies with revenue subject to review by the Economic and Revenue Forecast Council or the Transportation Revenue Forecast Council, monthly cash receipt estimates must be consistent with the current forecast. **For agencies that prepare their own dedicated account forecasts, monthly cash receipt estimates must be consistent with their current forecast.** See [Section 3.3](#) for a list of significant accounts subject to forecasts.

Agencies should follow-up with an allotment packet using Revenue and Cash Adjustments packet purpose type to reflect updates to the current forecast.

2.8 GUIDE FOR ESTIMATING EMPLOYEE-RELATED AND CENTRAL SERVICE AGENCY COSTS

(PLEASE NOTE: THE RATES WILL BE UPDATED ONCE A BUDGET IS SIGNED)

The salary and benefit rate information described in this section is available in the Salary Preparation System (SPS)

All the salary and benefit information described below can be obtained through the SPS. For additional information and training, contact OFM BASS Helpdesk at ofmbass@ofm.wa.gov.



Sign up for training now

Include non-basic salary costs in the salary estimates

In addition to basic compensation, salary estimates should include callback, irregular hours compensation, terminal leave, and sick or annual leave buy-out. The agency also must accommodate provisions of the Fair Labor Standards Act within available funds.

Rates for OASI payments (Social Security and Medicare (Projected rates for Calendar Years 2012 and 2013, subject to change.))

Agencies should program OASI payments at the following rates:

- Calendar Year 2011: 6.2 percent of the first \$106,800 for Social Security purposes, plus an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).
- Calendar Year 2012: 6.2 percent of the first \$113,700 for Social Security purposes, plus an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent.)
- Calendar Year 2013: 6.2 percent of the first \$118,200 for Social Security purposes, plus an additional 1.45 percent of all salaries for Medicare (a total of 7.65 percent).

Medical aid estimates

Allotment estimates for the state's share of medical aid and industrial insurance payments should be based on current biennium rates, which differ for various job types. Agencies should verify current occupational rate schedules with the Department of Labor and Industries.

State contribution to employee insurance program

For each eligible employee, the monthly employer funding rate is \$850 for Fiscal Years 2012 and 2013.

Health benefits were funded in each agency's regular appropriations.

Employer contributions to retirement systems

The total allotment for retirement system contributions must be based on the specific employer contribution rate as calculated by the Salary Projection System. Employer contribution rates may also be found at the State Actuary website (http://osa.leg.wa.gov/Actuarial_Services/Funding/contr_rate_warning.htm). Most percentages include a contribution rate of 0.16 percent (0.0016) of total reportable salaries for the Department of Retirement Systems administrative costs for July 2011 through June 2013. The Department of Retirement Systems will notify agencies of any changes to this rate.

Department of Personnel service account charge

The Department of Personnel Service Account (Account 415) billing rate will be no more than 0.70 percent (.0070) of covered salaries and wages for the 2011-13 Biennium. Agencies should plan to pay the annual amount during the second quarter of each fiscal year. Applicable amounts should be included in Object E, Goods and Services.

Human Resource Management System charge

The methodology for payroll system charges has changed from a combination of payroll warrants and employee records to a per paid employee rate. The rate for the 2011-13 Biennium will be \$29 per paid employee per month. The cost for Human Resource Management System debt service will be billed separately, in the second quarter of each fiscal year. These amounts should be included in the allotment for Object E, Goods and Services.

Higher Education Personnel Service fund charge

The initial billing rate for the Higher Education Personnel Service Fund (Fund 455) will be no more than 0.35 percent (.0035) of covered salaries and wages for the 2011-13 Biennium. Institutions of higher education should allot these amounts in July of each fiscal year in Object E, Goods and Services.

Unemployment compensation reimbursement

Agencies are required to reimburse the Employment Security Department (ESD) for unemployment compensation paid to former agency employees. ESD will notify agencies

quarterly of their actual unemployment compensation liability. Estimated unemployment compensation amounts are to be allotted in Object B, Employee Benefits.

Central service agency charge estimates and expected timings of billings

Estimated billings from certain central service agencies were included in the Governor's recommended budgets for individual agencies and will be revised to reflect the Legislature's actions. OFM will provide the assumptions in the budget for the incremental changes in these costs as soon as available. The costs should be part of the initial allotment for Object E, Goods and Services.

For more information on accounting for these transactions, including assumptions about the timing of these billings, refer to the SAAM, Subsection 85.90.40, at <http://www.ofm.wa.gov/policy/85.90.htm>.

Please remember that the allotments for central service agency charges represent estimates. Agencies are responsible for paying for actual goods or services received, regardless of the estimate.

These are estimates only — agencies must pay for actual goods and services received

2.9 CHECKLIST FOR THE INITIAL ALLOTMENT PACKETS

This checklist will help ensure that your initial allotment is complete and accurate before submitting to OFM:

Something to Double-Check

- Does the allotment reflect legislative intent for the timing of expenditures, distribution of expenditures between fiscal years, and other legislative assumptions?
- Did you use an initial packet purpose type?
- Do the average salary amounts per FTE make sense? (See report AMR 001 or AMR 002)

Requirement Enforced{x"e "TALS (New allotment system): Critical Edits"} by the System

- Does the total of allotted, unallotted, and reserve for each appropriated EA code match the EA schedule?
- Are the allotments at the correct level? (Program level for all except DSHS)
- Are allotments for accounts appropriated by fiscal year allotted in the correct year?
- For Option 1 agencies, are the total dollars allotted by object equal by month to total dollars allotted by appropriation index?
- If data is allotted in object F or W, is a non-budgeted expenditure authority code used?

The System will prompt when an explanation is required in TALS

OFM Requires an Explanation{x "Allotments: Explanations"} in these Cases:

- If allotments for federal or private/local expenditures do not match allotments for federal or private/local revenue.
- If allotted FTEs do not match the EA control numbers by fiscal year.
- If allotments for Object T do not net to zero by fiscal year.
- If the total of allotted, unallotted, and reserve for a nonappropriated expenditure authority code does not match the EA schedule.
- If the pattern of allotments by objects differs significantly from the current biennium pattern by object.
- If the pattern of allotments by program differs significantly from the current biennium pattern by program.
- If the monthly pattern of allotted cash receipts or disbursements differs significantly from the current biennium pattern by month.
- If the allotted revenues differ significantly from the control numbers on the EA schedule.

Chapter 3

Preparing Allotment Amendments

3.1 WHEN ARE ALLOTMENT AMENDMENTS EXPECTED AND ALLOWED?

When are allotment amendments required?

OFM requires that operating allotment amendments be submitted for the following changes in the agency's initial expenditure, revenue and cash plan:

- Legislative changes to an appropriation, such as a supplemental budget.
- Legislative requirements, such as an allotment reduction.
- Executive changes to an Expenditure Authority Schedule, such as expenditure reductions directed by the Governor because of a revenue shortfall; emergency fund; retrospective rating refund; savings incentive or other allocations (for example, state parking account); and unanticipated receipts requests.
- Revised estimates of the amount or timing of cash receipts, cash disbursements, or revenue.
- Any significant quarterly expenditure updates identified by the agency or requested by OFM.

Expenditure allotment amendments can be made quarterly

Agencies may submit expenditure allotment amendments quarterly, along with an explanation of reasons for significant changes. OFM may request that agencies submit an allotment amendment. Instructions on this type of amendment are covered in Section 3.2.

What are the submittal deadlines?

Except where noted below, allotment amendments are due no later than the 25th of the current fiscal month to allow time for the OFM budget analyst to review them prior to the AFRS fiscal month cutoff.

Although most allotment amendments released to OFM by the required due date will be approved and entered into AFRS promptly, system problems or analytical issues may sometimes cause delays. Any allotment amendments that miss the AFRS cutoff date, for whatever reason, will be returned to the agency by TALS if it contains retroactive allotment transactions, or transactions relating to a closed fiscal month.

Provide an explanation with allotment amendments

Agencies are required to submit a detailed explanation with the packet for the significant changes reflected in each allotment amendment. This explanation should make sense to someone not familiar with your agency codes and abbreviations.

TALS makes it easy to include an explanation as part of the packet. The system also requires that an explanation be included in the packet for quarterly allotment amendment packet purpose types.

3.2 QUARTERLY EXPENDITURE ALLOTMENT AMENDMENTS

Prepare a quarterly allotment amendment{x "Allotments: Amendments"} when expenditure assumptions change significantly

The assumptions upon which the initial allotment plan is based may change over time. When changes are significant agencies should prepare an allotment amendment for the next quarterly update and also submit narrative explanations.

OFM and the Legislature will be monitoring actual expenditures against the allotments, and looking to understand significant variances from the initial allotments. OFM encourages agencies to anticipate questions about such variances and to submit allotment amendments and assumption changes in any quarter necessary to provide reviewers with an accurate understanding of the expected spending plan and variances. OFM may require an agency to submit an allotment amendment.

OFM is particularly interested in amendments to reflect changes in the initial assumptions of key budget drivers, including caseloads, population, client patterns, and revenue. OFM is also interested in significant changes in the planned timing and implementation of programs and services. Agencies should submit allotment amendments and narrative explanations for these changes. OFM encourages agencies to include any other updates that make the allotment more useful as an expenditure plan.

Do not make retroactive adjustments

Agencies may not make retroactive expenditure allotment amendments (changes to allotments for closed fiscal months) per RCW 43.88.110(8).



Use “adjustment amount” field to reduce allotment distortion

Agencies have said it is difficult to use the official allotments for management purposes because the statute against retroactive adjustments and system limitations led to distortions of the allotment picture. In this case, the entire adjustment for prior months had to be made in the current fiscal month, distorting the allotment picture for that month.

TALS solves this problem by offering an “adjustment amount” field. This allows agencies to move allotment capacity from closed fiscal months without skewing the current month or changing the official allotment record for closed months.



Note: The “adjustment amount” field can be used for quarterly allotment adjustments only. Agencies are not to use this tool in any other packet purpose type.

The total adjustment from closed months can be placed into the adjustment month field, and the current month amount will contain the actual change desired for that month. The adjustment amount will show as a separate entry on the TALS-AMR reports. For now, the adjustment amount will continue to be posted to AFRS in the current fiscal month. Our long-range plan is to enable use of this field in AFRS and all reporting.

This adjustment amount feature is intended to provide a way to handle retroactive allotment adjustments. This will reduce the need for internal allotment adjustments.

What are the deadlines?

Deadlines for quarterly allotment amendments are:

- October 25, 2011 and 2012 (for 2nd and 6th quarter adjustments)
- January 25, 2012 and 2013 (for 3rd and 7th quarter adjustments)
- April 25, 2012 and 2013 (for 4th and 8th quarter adjustments)
- July 25, 2012 (for 5th quarter adjustments)

Submittal requirements for the allotment amendment

Use the appropriate Operating Quarter Adjustment packet purpose type.

Expenditure revisions may include altering expenditure estimates by month, program, or object; shifting estimates between allotted and unallotted status; and updating nonappropriated account estimates. Revenue, cash receipt, and cash disbursement amendments should be included in the packet when appropriate.

All quarterly adjustment allotment packets must net to zero.

See [Sections 2.3-2.7](#) for general requirements for expenditure, FTE, revenue, and cash allotments. Also see the allotment amendment checklist at the end of this chapter.



Submittal requirements for the explanation

Agencies must provide a brief description of how the spending plan assumptions have changed from the initial allotment for any significant revisions included in the amendment. If the answer to any of the following questions is “yes,” the system will require that an explanation be included in the packet:

- Have any assumptions of key budget drivers — caseloads, population and client patterns, or revenue — changed significantly from those in the initial allotments?
- Has there been a significant change in the planned timing and implementation of programs or services? (For example, a new institution will open three months later than originally planned.)
- Has there been any other significant change in assumptions from the initial allotment? (For example, new requirements identified in the design phase of an information technology project will cause a significant change in project scope and project costs. OFM would not consider as significant, for example, cost shifts due to a delay in purchasing a small number of personal computers or to staff vacancies.)

3.3 REVENUE AND CASH ALLOTMENT AMENDMENTS

Revenue and cash receipt allotment amendments for forecast and other assumption updates

Revenue and cash receipt amendments are required whenever the quarterly revenue forecasts of either the Economic and Revenue Forecast Council or the Transportation Revenue Forecast Council are revised. Revenue estimates for agencies not reporting to these councils should be amended to reflect any change in the amount or timing of projected revenues and cash receipts, or to adjust for actual collection experience.

Agencies must report material adjustments for any of the nearly 200 accounts subject to some kind of forecast.

Submittal deadlines for forecast allotment updates

Submit forecast-related amendments by the 25th of the month following a forecast. Submit other revenue and cash amendments by the 25th of the month to ensure approval prior to the AFRS cutoff. See Sections 2.5-2.7 for general requirements for revenue and cash allotments.

Submit cash allotments when assumptions change significantly

Because cash allotments are a primary source of information for the state's cash management needs, agencies should submit cash allotment amendments whenever assumptions for cash receipts and disbursements change significantly.

3.4 ALLOTMENT AMENDMENTS FOR LEGISLATIVE BUDGET CHANGES

Supplemental budgets are the most common legislative budget change

When an agency's budget is changed in a supplemental budget, the agency must submit an allotment amendment to reflect those changes. OFM will issue separate instructions for these allotments after a supplemental budget has been enacted. Use the appropriate supplemental budget packet purpose type for these allotments and packet title as indicated in the separate instructions.

3.5 ALLOTMENT AMENDMENTS FOR ALLOCATIONS

What are allocations?

For various reasons, the Governor may authorize allocations that increase or decrease an agency's spending authority. Some examples include Emergency Fund allocations; Fund 03K-retrospective rate refund allocations, Fund 277-parking revenues, Fund 290-savings incentive, and certain legislated compensation allocations.

Instructions for allotting some of the more typical allocations are listed below. For other allocations, OFM will distribute separate written instructions as appropriate.

Use the correct packet purpose type

Use the operating allocations packet purpose type for these allotment amendments along with a title that best describes the allocation packet.

Governor's Emergency Fund (001-4), Expenditure Authority Code 611 (first year) or 612 (second year)

The agency must send a letter to OFM requesting an allocation and explaining the need and dollar amount. If approval is granted, the expenditure authority schedule is updated. An approval letter is sent to the requesting agency with instructions to allot the allocated amount.

Savings Incentive (290-6), Expenditure Authority Code 976

This allocation applies only to agencies with a General Fund-State appropriation and existing credit remaining in Account 290 Savings Incentive Account. See Section 3.6 below for more information.

Parking Revenue (277-6), Expenditure Authority Code 977

All parking income collected from the fees imposed by state agencies on parking spaces at state-owned or leased facilities, including the Capitol campus, are deposited in the state agency parking account. Only OFM can authorize expenditures from this account. Agencies can request for allotment only the beginning budget fund balance plus any amounts deposited into the account.

Agencies may use funds to:

- Support their commute trip reduction program under RCW 70.94.521 through 70.94.551.
- Support their parking program.
- Support the lease or ownership costs for their parking facilities.

Retrospective Rating Refund (03K-6), Expenditure Authority Code 978

These allocations relate to premium refunds earned by the agency. Expenditures cannot be higher than the refund amount earned by the agency. Per RCW 51.44.170, these funds may only be used to promote or provide incentives for employee workplace safety and health, and for early, appropriate return-to-work for injured employees. When submitting an allotment for these funds, the agency must include an explanation in the packet about how the money will be spent.

Allocation amounts are reflected in the Expenditure Authority Schedule

Allocations are reflected on the EA Schedule as they are available. For the last three allocations listed above, the amounts on the schedule reflect the beginning fund balance and any new revenue posted to AFRS by the agency. An e-mail notification is sent to the agency when a revised EA schedule is published:

Note: These amounts represent the maximum amount available for the biennium, **not the current balance** after expenditures.

Agencies must have an approved allotment prior to spending any allocations. Agencies must be in compliance with the Budget and Accounting Act and **may not incur expenditures for any allocation until they have received OFM approval.** When allocations have restrictions on how the money can be spent, agencies must provide an explanation in the packet to describe how the agency plans to spend the funds.



3.6 SAVINGS INCENTIVE PROGRAM

About the Savings Incentive Program

The Savings Incentive Program was established in 1997 as a means to encourage agency efficiency and provide another ongoing source of funding for school construction projects.

In 2011-13, unspent GF-S appropriations will be allocated to either the Education Savings Account or the Savings Incentive Account after an analysis by OFM budget analysts and legislative fiscal staff is completed.

Savings transferred to the appropriated Education Savings Account for use by the State Board of Education include:

- Unspent GF-S appropriations for caseload and enrollment in entitlement programs.
- Unspent GF-S appropriations for enrollments in state institutions of higher education.
- Unspent GF-S proviso appropriations if the agency did not achieve the purpose of the condition or limitation.
- Unspent debt service appropriations.
- Unspent appropriations for state retirement system obligations.
- One-half of any other unspent GF-S appropriations in agency budgets.

Savings transferred to the Savings Incentive Account for use by agencies

Savings transferred to the Savings Incentive Account, for use by each agency demonstrating unspent GF-S appropriations, include one-half of the unspent GF-S appropriations not itemized above.

Steps in the allocation process

At the CAFR (Comprehensive Annual Financial Report) Phase II accounting adjustment close, OFM will begin determining the amounts of each agency's GF-S reversions and how they fall into the categories listed above. OFM will review the initial division of reversions with legislative fiscal staff to ensure agreement on their categorization. Reversion estimates will be finalized after the close of the auditing phase in late November. The Expenditure Authority Schedule will be updated to include each agency's official allocation.

Agencies will receive separate allotment instructions

The Savings Incentive Account is nonappropriated, but is subject to allotment procedures.

At the point that the savings incentive amounts are final, OFM will issue allotment instructions and the amount available to each GF-S agency from the Savings Incentive

Account. Agencies should use an Operating Allocations packet purpose type for these allotments.

Per RCW 43.79.460, use of this funding is limited to one-time expenditures to improve the quality, efficiency, and effectiveness of services to the customers of the state. These activities may include employee training, employee incentives, technology improvements, new work processes, or to implement performance measurements.

3.7 CHECKLIST FOR ALLOTMENT AMENDMENTS

This checklist will help ensure that your allotment amendment{"Allotments: Amendments"} is complete and accurate before submitting to OFM.

Something to Double-Check

- Does the allotment reflect legislative intent for the timing of expenditures, distribution of expenditures between fiscal years, and other legislative assumptions?
- Did you use the appropriate packet purpose type?
- If you are submitting expenditure or revenue amendments, have you included corresponding cash allotment amendments if appropriate?

Requirement Enforced{"TALS (New allotment system): Critical Edits"} by the System

- If you are submitting a quarterly expenditure amendment, have you included an explanation in your packet?
- Does the packet include retroactive allotments (allotments for closed fiscal months)?
- Does the total of allotted, unallotted, and reserve for each appropriated EA code match the EA schedule?
- Are the allotments at the correct level? (Program level for all except DSHS)
- Are allotments for funds appropriated by fiscal year allotted in the correct year?
- For Option 1 agencies, are the total dollars allotted by object equal by month to total dollars allotted by appropriation index?
- If data is allotted in object F or W, is a non-budgeted appropriation index used?
- Are internal agency allotments equal to or less than EA control numbers?
- Does the amount you propose moving from unallotted or reserve status exceed the amount currently existing in that status?
- Is the amount placed or remaining in reserve at least equal to any total legislative allotment reductions or Governor's cash deficit reductions on the EA schedule?

The System will prompt when an explanation is required in TALS

OFM Requires an Explanation{x "Allotments: Explanations"} in these Cases:

- If allotments for federal or private/local expenditures do not match allotments for federal or private/local revenue.
- If allotted FTEs do not match the EA control numbers by fiscal year.
- If allotments for Object T do not net to zero at the agency level by fiscal year.
- If the total of allotted, unallotted, and reserve for a nonappropriated expenditure authority code does not match the EA schedule.
- If the allotted revenues differ significantly from the control numbers on the EA schedule.

Chapter 4

Unanticipated Receipt Allotment Amendments

4.1 ABOUT UNANTICIPATED RECEIPTS

Definition of an unanticipated receipt

Agencies sometimes receive federal or private/local funds for a specific purpose not anticipated in the enacted budget. The Governor is authorized to grant agencies expenditure authority for these funds under certain conditions.

Appropriate use of the unanticipated receipt process

The Constitution grants the Legislature the sole authority to make appropriations. The unanticipated receipt process acknowledges that the state may receive grants when the Legislature is not in session. It is often in the best interest of the state to spend these revenues as long as they are consistent with legislative intent. On behalf of the Governor, OFM determines if the request for additional expenditure authority is consistent with the Budget and Accounting Act.

Contact your OFM analyst when unanticipated receipts are received during legislative session

During the legislative session, it is assumed that unanticipated grants or other outside funds will be included in the budget rather than processed as unanticipated receipt allotments. Agencies should contact their OFM budget analyst if the timing of these receipts makes inclusion in the budget impossible.

Criteria for an unanticipated receipt

An agency's request must be consistent with the legal definition of an unanticipated receipt:

- It was not anticipated in the agency's enacted budget;
- The grantor mandates a specific use for the funds; and
- The revenue comes from a source outside of state government and is not controlled by the state agency.

Grants that create new activity or policy for the state

If a grant is for something that sets a new policy direction for the state, agencies should include it as part of their budget request submittal instead of treating it as an unanticipated receipt request. Please consult with your OFM budget analyst if you have questions.

Agency budget request or unanticipated receipt?

If the timing of the grant allows, agencies are encouraged to use the normal budget process to request expenditure authority for additional federal and private/local revenues. This allows a more complete review by OFM and consideration by the Legislature.

An example of this is a new grant that covers several biennia. The agency should request only the amount necessary for the current biennium and include the remainder in a separate decision package in its budget request.

4.2 SUBMITTAL REQUIREMENTS FOR UNANTICIPATED RECEIPTS

Agencies may not legally incur expenditures for any unanticipated receipt until they have received OFM approval.

An agency may not make an expenditure or obligation in excess of the actual funds received, or for a purpose different from the one for which it was received.



Appropriation authority lapses at the end of the biennium

If an agency has received an advance payment during the 2009-11 Biennium, and a portion of this amount can be carried over to 2011-13, the agency must submit an unanticipated receipt request as soon as possible after July 1, 2011, unless the carry-forward amount has been included in the enacted 2011-13 biennial budget. The amount of the advance payment carried forward must show as estimated revenue in 2011-13. This section does not apply to nonappropriated funds.

Due dates for unanticipated receipt amendments

To be included in that month's transactions, unanticipated receipt amendments and the associated request form are due at least 10 days prior to the commitment of any funds and at least 15 days prior to the AFRS fiscal month cutoff date. The unanticipated receipt process requires a 10 calendar day waiting period between OFM's receipt of the agency's package and the approval to allow Joint Legislative Audit and Review Committee and legislative fiscal committee staff to review the package.

The last date that agencies can submit unanticipated receipt amendments for the 2011-13 Biennium is June 22, 2013.

TALS automates the unanticipated receipt process

TALS automates the unanticipated receipt process. The unanticipated receipt request information is collected in TALS. Agencies are able to attach the requested grant documents and send the request and the related allotment amendment to OFM at the same time. Instructions for completing the unanticipated receipt request are located in the TALS AMR tutorial found in the BASS Library at <http://bass.ofm.wa.gov/BASSPR/library/default.htm> or <https://fortress.wa.gov/ofm/bass/BASSPR/library/default.htm> for those using Fortress.

Submittal requirements for agencies

- Submit an unanticipated receipt request through TALS that describes the source of funding, purpose of the grant or contract, and why the expenditure is consistent with legislative and executive intent.
- Attach a copy in Word or PDF format of the grant award or other available contract documentation.

- Submit an allotment amendment to indicate the proposed expenditure plan for the funds. Use the unanticipated receipt (capital or operating) packet purpose type.

The request and the allotment amendment should cover only the current biennium portion of the receipt if the grant period also includes future biennia.

In the case of expenditure-driven grants or contracts where the state receives revenue based upon the expenditures incurred against the grant or contract total, revenues must be equal to total expenditures as a matter of state law.

Use these expenditure authority codes for unanticipated receipts

Operating – Federal	700-940, 7A0-7F0, 8A0-8Z0 EA Type 3
Operating – Federal (ARRA)	7G0-7Z0 EA Type U
Operating – Private/Local	9A0-9Z0, ZA0-ZZ0 EA Type 9
Capital – Federal	V10-W90 EA Type 3
Capital – Federal (ARRA)	U10-U90 EA Type U
Capital – Private/Local	X10-Y90 EA Type 9

(TIP: The third digit is always zero)

When a granting entity provides additional money for purposes previously identified in a prior unanticipated receipt, re-use the original unanticipated receipt appropriation code. If the purpose of the project differs, a new expenditure authority code must be used.

Instructions for completing the unanticipated receipt request

Include the following information in the unanticipated receipt request form in TALS:

- **Purpose of grant and description of how funds will be used**
Clearly describe the reason for the grant and specific activities that will be initiated with new funding. Explain why the expenditure is consistent with legislative and executive intent.
- **Time period for the grant/award**
Indicate the begin date and end date for which these funds will be used. If a portion of the grant period occurs after the next legislative session, that portion of the grant should be included in the agency's next budget submittal.
- **Type of grant/award**
Select the type that best describes the request:
 - **New** – the agency needs additional spending authority to spend the grant.
 - **Renewal** – the agency received the grant previously. If the grant/award is made on a recurring basis, it should be included in the agency's next budget request.
 - **Addendum** – the agency received additional funds to an existing grant award and/or the purpose of the grant has been expanded.
 - **Carryover** from previous biennium – the agency has funds remaining from a previously approved unanticipated receipt from the previous biennium. Agencies must reference the Allotment Packet number used in the previous biennium.

- **Pass-through only**

Check this box if the full amount will be passed on to the recipients and explain the nature of the pass-through.

- **Budget impact summary**

To capture the full fiscal picture of the unanticipated receipt request, the agency must provide fiscal information as it relates to the type of the grant/award. In cases where the grant award crosses biennial lines, record the portion that applies to the 2011-13 Biennium in the “Current Biennium” column and place the excess under the Ensuing Biennium column of the table. If available for expenditure, this excess funding must be incorporated into the agency’s future budget request.

For example, if the agency selects “Renewal,” fiscal information is expected for all three biennia affected. Carryover requests must include fiscal information from the previous biennium as well as the current biennium.

- **Additional FTEs**

Indicate the average annual FTEs added by the unanticipated receipt. Do not use staff months or biennial totals. For example: if Fiscal Year 2011 has 10 FTEs and Fiscal Year 2013 has 12 FTEs, you should enter 11 FTEs (10 plus 12, divided by 2).

- **Matching funds**

If required by the grant, indicate the amount of matching funds and the expected source of those funds. If matching funds will come from the agency’s current budget, indicate from which programs and activities that will be affected.

The grant/award amount shown under the Current Allotment Request must agree with the data entered in the unanticipated receipt allotment packet.

- **Analysis**

Complete all four questions in the analysis section.

1) *Can these funds be substituted for presently allotted funds?*

- Whenever unanticipated receipt revenues can be used for expenditures currently funded with state fund sources, those state funds must be placed in reserve in the unanticipated receipt allotment packet, and the unanticipated receipt dollars used instead.
- The first question on Unanticipated Receipt Form asks whether the federal (or other) funds received can be substituted for presently allotted funds.
- Agencies must provide specific justification whenever the “no” box is checked in response to this question. Federal or other grantors frequently stipulate that grant funds cannot be used in place of state funding. The documentation of this requirement should be in the form of specific language or a legal citation that prohibits the supplanting of state funds.

2) *Does acceptance of these funds commit the state to further expenditures in a later period?*

Conditions of acceptance of grant awards can commit the state to additional expenditures in a later period. If this is the case, agencies must indicate the intended source of future funding as requested in the second question.

3) *Will the activity supported by these funds generate a permanent program or service within state government?*

If a grant is for something that sets a new policy direction for the state, agencies should include it as part of their budget request submittal instead of as an unanticipated receipt request. Agencies should consult their OFM budget analyst about this particular kind of grant.

4) *What is the plan after the grant ends?*

Indicate the specific plan for termination or continuation of the program beyond the anticipated length of time and funding.

4.3 CHECKLIST FOR UNANTICIPATED ALLOTMENT AMENDMENTS

This checklist will help to ensure that your unanticipated receipt allotment is complete and accurate before submitting to OFM.

Something to Double-Check

- Is the unanticipated receipt request form complete?
- Did you use the unanticipated receipt packet purpose type?
- Is the information on the request form consistent with the allotment amendment?
- Are you submitting the unanticipated receipt packet and request to OFM at least 10 calendar days prior to the planned commitment of funds to allow time for OFM and legislative review?
- Have you allotted only the amount the agency expects to spend in the current biennium?
- Have you also included the related allotments for revenue, cash receipt, and cash disbursements in the packet?
- Is this unanticipated receipt for ARRA funds? If so, did you use only the specified codes shown on page 33?

System will Prompt the Agency for Required Explanations:

- Is the grant award or other contract documentation attached?
- Do the allotments for federal or private/local expenditures match the allotments for federal or private/local revenue?

Chapter 5

Additional Instructions for Capital Allotments

5.1 CAPITAL ALLOTMENT BASICS

This chapter focuses on special requirements for capital allotments and supplements the more general requirements in chapters 1-4 of these instructions.

Capital projects include:

- The acquisition of real property.
- The pre-design, design, and construction of new facilities.
- Additions, repairs, renovations or improvements to existing facilities.
- The acquisition of building equipment.
- Grants and loans to government or community organizations.

What are capital projects?

For the purposes of Chapters 5 and 6, “capital projects” refers to items in the capital appropriations bill.

The allotment process provides a clear picture of project activity.

Capital allotments provide a baseline understanding of how the enacted capital budget will be implemented and what will be accomplished as a result. Allotments are also used for project monitoring, identification, and to track work elements.

OFM must approve allotments before expenditures can be incurred.

RCW 43.88.110(7) and the capital budget appropriations bill provide that an agency may incur no expenditure nor enter into any obligation for capital projects until it has received OFM approval for the expenditure of funds. Agencies should contact their OFM capital budget analyst if there is a need to expedite an allotment review.

Use a capital packet purpose type for the capital allotments.

OFM and the Legislature need to view allotments by purpose or type. The Allotment System (TALS) requires users to select a particular packet purpose. Packet purposes for capital allotments are:

- Capital Initial Allotment -Use for all components of the initial allotment, including related revenue and cash allotments;
- Capital Amendment;
- Capital 1st Supplemental;
- Capital 2nd Supplemental;
- Capital Governor’s Cash Deficit Reductions;
- Capital Unanticipated Receipts;
- Capital Internal Adjustments;
- Capital Legislative Allotment Reductions;
- Capital Transfer. 

Agencies may request that unexpended funds be transferred to another project.

The capital budget allows the transfer of unexpended funds from one project to another in certain situations as described in the capital appropriations bill. The agency must submit a written request to OFM to make such a transfer. The process and requirements for a transfer are as follows:

- Funds to be transferred must be in excess of the amount required for the completion of the project.
- Excess funds in an appropriation can be identified after the project has reached substantial completion or is cancelled.
- Only appropriations determined to have insufficient funds required to complete the original scope of work are eligible to receive funds transferred from another appropriation.
- No transfer may be used to expand the capacity of any facility beyond that intended in the original appropriation. Transfers are only allowed between capital appropriations within a specific department, commission, agency, or institution of higher education.
- Transfers are only allowed between capital projects funded from the same fund or account.
- No transfers may occur between projects within local government agencies except where the grants are provided within a single omnibus appropriation and where such transfers are specifically authorized by the implementing statutes that govern the grants.

The intent is that each project be defined as proposed to the legislature in the governor's budget document, unless it clearly appears from the legislative history that the legislature intended to define the scope of a project in a different way.

If approved, OFM will update the expenditure authority schedule to transfer the funds from the substantially complete project expenditure authority amount to another project's expenditure authority amount. The agency must then submit an allotment amendment packet using a Capital Transfer packet purpose type for the transferred funds. Transfers in excess of \$250,000 require notification of the legislative fiscal committees and will not take effect for 30 days.

Allot and charge only appropriate costs and FTEs to capital appropriations.

If the agency plans to charge FTEs or administrative costs to a capital appropriation, the agency allotments should reflect this. However, agencies must follow OFM capital budget instructions about the type of costs that can be charged to capital appropriations.

Capital construction funds (whether funded with bond proceeds, revenues from fees, or other cash) are generally dedicated to the acquisition, construction, and renovation of fixed capital assets and will not be used for regular maintenance of capital facilities or to subsidize operating budget costs. However, costs incurred by agencies in the direct development and administration of capital projects can be considered part of the project

cost. Other costs, such as managing an agency's capital facilities or creating a capital budget, should be charged to the agency's operating budget and not the capital budget.

Refer to the OFM Capital Budget Instructions at <http://www.ofm.wa.gov/budget/instructions/capital.asp> for information on allowable costs for capital appropriations.



General guidelines for developing expenditure allotments

Capital allotments should be based on the agency's best estimate of monthly expenditures during the current biennium. The following guidelines can assist agencies in developing estimates but should not be a substitute for analysis and planning:

- Most all projects that are re-appropriated should be spent during the first year of the biennium.
- Allotments for omnibus or minor works appropriations should approximate the spending plan for the entire group of sub-projects within the appropriation.
- Grant allotments should approximate planned expenditures for the individual grants and loans.
- Individual appropriated projects should approximate the project schedule as provided in the agency's capital budget request until an updated plan is available.
- In the absence of more specific project information, construction spending can be approximated as 25 percent spent over the first one-third of the construction period; 50 percent spent during the second one-third of the construction period; and 25 percent spent during the last one-third of the construction period.
- OFM will require quarterly updates to the allotments to collect more accurate spending data as projects progress.

Matching funds requirements

Projects that require a matching share from non-state (including federal) sources are subject to RCW 43.88.150. This statute requires the expenditure of any matching funds to be proportional to state funds. For example, if an appropriation for \$100,000 requires an additional local share of \$200,000, then for each state dollar spent, two dollars in non-state funds must be spent at the same time. This statute prohibits an agency from spending the state appropriation prior to spending other funds.

Consultation with the Department of Archaeology and Historic Preservation

Per Executive Order 05-05, agencies must consult with the Department of Archaeology and Historic Preservation (DAHP) and the Governor's Office of Indian Affairs on all capital construction projects and land acquisitions before a project can be considered for funding.

Submit the review letter with the allotment if not previously submitted.

When the agency submits an initial allotment or supplemental budget allotment, the agency should attach a letter from DAHP confirming that the project has been reviewed if the agency had not already submitted the letter to OFM during the budget process.

5.2 ADDITIONAL REQUIREMENTS FOR THE INITIAL CAPITAL ALLOTMENT

See Chapter 2 for **general initial allotment** requirements. Chapter 2 provides detailed instructions for preparing initial appropriation, expenditure, revenue, and cash allotments. Unique capital requirements for the initial allotments are detailed in this section.

The initial allotment defines the initial plan after the budget is enacted.

The initial capital allotment presents the agency's detailed plan for monthly revenue and expenditures based on the terms, limits, conditions, and original assumptions in the new appropriations and re-appropriations approved by the Legislature. The initial allotments also present the related plan of cash receipts and disbursements. The initial allotments should provide these estimates for every month of the biennium and **must include all projects in one Capital Initial Allotment packet.**

In order for an agency to accelerate the initial allotment submittal and to allow for projects to be submitted on a project by project basis, agencies can submit an initial allotment of \$1.00 for each project with the remainder in unallotted funds. The agency can then submit allotments for individual projects. This is especially important for those agencies with multiple projects.

If the agency does not have expenditure plans ready for all of its projects at the time the initial allotment should be submitted for approval, the agency should place unplanned amounts in unallotted status in the initial allotment packet. The agency then needs to submit an allotment amendment to place those funds in allotted status, and receive OFM approval before those dollars may be obligated or spent.

For each project, describe the phases covered by the allotment.

TALS provides fields for comments and explanations to help the OFM reviewer better understand the intent of the allotment. In the initial allotment, agencies must describe the phases covered by each project's allotment. For example: "The allotment for project 2006-2-001 is for the pre-design phase only."

Take care to avoid over-expenditure when preparing the re-appropriation allotment portion of the initial packet.

The initial allotment must include allotments for re-appropriations assumed in the budget. It is important to remember that re-appropriations assumed in the budget do not include the most up-to-date information on agency spending patterns. As you prepare your initial allotment, re-estimate the likely ending balances for projects and put into allotted status only the amount you believe will truly be available for re-appropriation. The balance of the re-appropriation amount assumed on the EA Schedule should be placed into reserve status in the initial allotment.



**This is important to
reduce risk of over-
expenditure**

Following the 2009-11 biennial close in October, the re-appropriation amounts will be recalculated and the EA schedule will be updated. Agencies will be asked to submit allotment updates at that time to conform with the new control totals.

Agencies must attach an updated prioritized project list.

Capital allotments for minor works or grant projects that contain priority lists of sub-projects must include an updated prioritized project list reflecting legislative intent. An updated list is required only if the list is different than the one submitted to OFM as part of the agency budget request. If the list changes, the agency must provide an explanation of the reason for the change in priority or sub-project. TALS will allow agencies to attach this list electronically to the allotment packet. Allotments will be returned to the agency if the project list is not included in the packet.

Restrictions on project list additions or substitutions

There may be instances where an agency needs to add or substitute projects for an omnibus or minor works appropriation based on circumstances or events unknown at the time of the initial budget request or allotment. For flexibility, additional projects may be listed on the initial submittal list. However, the total cost of all projects listed may not exceed 120 percent of the appropriation and additional, “alternate” projects must be clearly identified as such. Agencies may only proceed with the “alternate” projects after a revised list has been submitted with appropriate justification.

OFM recognizes that flexibility is required but will monitor substitutions carefully. Use the following criteria when considering substitutions:

- Determine if there is adequate funding to support a newly identified project within the minor works or omnibus appropriation.
- Determine if there is sufficient funding for emergency or unidentified repairs and improvements available for the newly identified project.
- Review the rest of the agency’s capital budget to determine if the new project falls within the scope of appropriation language of another project.

Even if there are other funds that can be used to complete the project, **the agency must not proceed with the substitute project without prior notification to OFM and the legislature.** Justification for the substitution should be submitted to OFM using the same document with the prioritized project list.

5.3 ADDITIONAL REQUIREMENTS FOR CAPITAL ALLOTMENT AMENDMENTS

Capital allotments are amended for changes to the initial allotment plan.

Agencies may submit allotment amendments for changes to the initial allotment plan at any time during the biennium for:

- Capital unanticipated receipts.
- Project phases, including pre-design, design, and construction.
- Projects originally placed in unallotted or reserve status in the initial allotment.

- Cash disbursement revisions.
- Revised re-appropriation amounts as determined by OFM after audited accounting actuals for the prior biennium are known in the fall. (Updated allotments will be required to support these revisions.)
- Updates to capital-funded staffing levels.
- Approved substitutions or changes to minor works and omnibus appropriation sub-project lists.
- Supplemental budget changes.
- For major projects, spending plans for the next phase. (See Chapter 6 for more information.)

Prepare a quarterly allotment amendment{x "Allotments: Amendments"} when expenditure assumptions change significantly.

The assumptions upon which the initial allotment plan is based may change over time. When changes are significant, agencies should prepare an allotment amendment for the next quarterly update. Agencies are to use a Capital Amendment Packet purpose type to reflect these changes. Please refer to section 3 for the quarterly allotment amendment submittal deadlines. Chapter 3 also provides instructions for preparing expenditure, revenue, and cash allotment amendments. Chapter 4 provides instructions for preparing unanticipated receipt allotments. Requirements unique to major capital projects are included in Chapter 6.

5.4 CAPITAL PROJECT ALLOTMENT TRANSFERS

Agencies may request that unexpended funds be transferred to another project.

The capital budget allows the transfer of unexpended funds from one project to another in certain situations as described in the capital appropriations bill. The agency must submit a written request to OFM to make such a transfer. The process and requirements for a transfer are as follows:

- Funds to be transferred must be in excess of the amount required for the completion of the project.
- Excess funds in an appropriation can be identified after the project has reached substantial completion or is cancelled.
- Only appropriations determined to have insufficient funds required to complete the original scope of work are eligible to receive funds transferred from another appropriation.
- No transfer may be used to expand the capacity of any facility beyond that intended in the original appropriation. Transfers are only allowed between capital appropriations within a specific department, commission, agency, or institution of higher education.
- Transfers are only allowed between capital projects funded from the same fund or account.

- No transfers may occur between projects within local government agencies except where the grants are provided within a single omnibus appropriation, and where such transfers are specifically authorized by the implementing statutes that govern the grants.

The intent is that each project be defined as proposed to the legislature in the governor's budget document, unless it clearly appears from the legislative history that the legislature intended to define the scope of a project in a different way.

If approved, OFM will update the expenditure authority schedule to transfer the funds from the substantially complete project expenditure authority amount to another project's expenditure authority amount. The agency must then submit an allotment amendment packet using a Capital Transfer packet purpose type for the transferred funds. Transfers in excess of \$250,000 require notification of the legislative fiscal committees and will not take effect for 30 days.

5.5 EMERGENCY PROJECTS

A project request may be submitted for emergency repairs in accordance with RCW 43.88.250. These projects must follow the conditions listed below:

- Emergency repairs shall only be used for unanticipated building or infrastructure repairs for the immediate protection of capital assets and protection of health and safety.
- Funds appropriated for emergency repairs are not to be used for routine maintenance.
- All emergency project requests must include:
 - A clear description of the process to be used to allocate funds to specific projects.
 - Amounts provided for this purpose.
 - List of projects completed in the last biennia using these emergency funds.

Funds will remain in unallotted status until OFM is provided with a written request signed by the agency director to use the emergency funds. The approval letter shall be attached to the Capital Amendment packet submitted for the allotment of the emergency funds.

5.6 CASH FLOW ESTIMATES FOR BOND-FUNDED PROJECTS

Certain agencies and accounts must complete a cash flow estimate form.

The Office of the State Treasurer (OST) asks selected agencies to provide information about bond fund cash flow estimates and descriptions of the expected use of bond proceeds. This information is used by OST to prepare sales plans for state bond sales. The sales plans are also used to prepare allotments for bond retirement principal and interest expenses included in the budget. OST will contact the agencies listed below to obtain the necessary information. This information will be evaluated in conjunction with the

allotment expenditure data submitted in TALS and must be submitted for each appropriation independently.

The forms provided by OST, together with additional supporting material, should be sent to:

Sue Melvin
Office of the State Treasurer
P.O. Box 40200
Olympia, WA 98504-0200

Phone: 360-902-9027
Fax: 360-902-9045
E-mail: Sue.Melvin@tre.wa.gov

This table provides the list of funds for which the OST will be requesting cash flow estimates:

Agency	Account Code	Account Title
Commerce	355	State Taxable Building Construction Account
Department of Ecology	072	State and Local Improvements Revolving - Water Supply Facilities
"	10P	Columbia River Basin Water Supply
Department of Parks and Recreation	057	State Bldg. Construction Acct - SBCA Puget Sound Wastewater
"	10T	Hood Canal Aquatic Rehab. Bond
Department of Transportation	099	Puget Sound Capital Construction
"	108	Motor Vehicle Account
"	215	Special Category C Account
"	218	Multimodal Transportation Account
"	09H	Transportation Partnership Account
"	550	Transportation 2003 Account (Nickel Account)
Recreation and Conservation Office	070	Outdoor Recreation Account
"	244	Habitat Conservation Account
"	09C	Farmland Preservation Account
"	09G	Riparian Protection Account
Office of Financial Management	057	State Bldg. Construction Acct - Chehalis Flood Mitigation
Office of the Superintendent of Public Instruction	359	Schools Construction and Skills Center Buildings
Transportation Improvement Board	112	Urban Arterial Trust Account
"	144	Transportation Improvement Account
Council of Presidents	357	Gardner-Evans Higher Education Construction Account
State Board for Community and Technical Colleges	357	Gardner-Evans Higher Education Construction Account

5.7 OTHER CAPITAL ALLOTMENT-RELATED INFORMATION REQUIREMENTS

Tracking Capital Project Costs

Based on the Joint Legislative Audit and Review Committee (JLARC) September 2009 Evaluation of the Accuracy of Capital Project Cost Estimates, OFM is required to track final project costs, and the causes for variance from original cost estimates, more closely. Cost estimates must now be recast in CBS003 when the following conditions occur:

- The appropriation varies from the agency budget request.
- The appropriation is modified in a supplemental budget.
- At time of bid award for design-bid-build projects.
- At time of negotiation of the maximum allowable construction cost (MACC) for alternative public works projects.
- After the financial close of a project (after final acceptance, etc. and after all outstanding claims and invoices have been resolved).

Excess funds

When updating allotments after project bids, agencies will also clearly identify any excess project funds. Excess funds are not to be placed in project contingencies, but shall, instead, be placed in reserve status. These funds will then be available for transfers or will lapse at the end of the biennium. Excess funds shall not be used to increase the project scope beyond the legislative intent.

Update facility inventory data

Agencies that own or lease property are required to update and report site and facility data annually to OFM. New instructions will be published in July 2011, and all agencies will be required to submit facility inventory data to OFM by September 2011.

Coordinate with the Department of General Administration

Agencies that work with Engineering and Architectural Services (E&AS) must submit a Public Works Requisition to the Department of General Administration prior to, or at the same time, as the allotment request is submitted to OFM. For additional information on work provided by E&AS, or for assistance with the preparation of Public Works Requisitions, contact:

Division of Engineering and Architectural Services
 Department of General Administration
 P.O. Box 41012
 Olympia, WA 98504-1012
 360-902-7272

Coordinate with the Department of General Administration on Leadership in Energy and Environmental Design (LEED) Issues

Agencies should coordinate with the Energy Services Section of the Department of General Administration to obtain assistance with meeting LEED requirements.

Coordinate with the State Arts Commission

RCW 43.17.200 outlines the procedure for the required purchase of artwork in capital projects. The statute applies solely to appropriations for the original construction of public buildings (including K-12 facilities) and, in the case of higher education institutions, renovations costing more than \$200,000.

Agencies should consult with the Washington State Arts Commission on the most effective use of the artwork allowance by contacting:

[Washington State Arts Commission](#)

P.O. Box 42675
Olympia, WA 98504-2675
360-753-3860

Coordinate with the Department of Information Services

The Information Services Board (ISB) has authority over the purchase of all information technology investments made by executive and judicial branch agencies. The ISB may delegate this authority to agency directors. Please contact your agency's technology management consultant to ensure that you are in compliance with RCW 43.105 and the Information Technology Investment Policy. The investment policy and list of consultants can be found at <http://isb.wa.gov/policies/investment.aspx>.

Chapter 6

Preparing Allotments for Major Capital Projects

6.1 MAJOR CAPITAL PROJECTS

What are major capital projects?

Major capital projects are single-construction effort projects that cost in excess of \$5 million, or projects that have been designated by OFM or the Legislature as having complex technical or program aspects. Agencies receiving appropriations for major projects follow special guidelines for allotment review and project approval. The steps in this process, and the information required, are designed to help keep projects within the limits and intent of the appropriation.

Major capital projects typically receive appropriations over two or more biennia, depending upon the complexity and size of the project. A major project could receive separate appropriations for predesign, design services, construction, and equipment purchases. The phased approach to allotments for major projects is designed to promote better project planning. Ongoing contact with OFM capital budget staff will promote a better understanding of major projects and expedite allotment approval.

Major project reports are due December 31 and July 1.

Agencies administering a major capital project or projects specifically identified for this reporting requirement by OFM or the Legislature must submit a detailed progress status report to OFM and the legislative fiscal committees each December 31 and July 1. The project report format is available on the OFM website at <http://www.ofm.wa.gov/budget/forms.asp>.

Agencies must submit additional information for different project phases.

Agencies must submit certain materials with the allotments at each major project phase. A description of these materials and other allotment considerations are described below:

Predesign study allotments

Allotment requests for predesign studies, when appropriated through the capital budget, should be submitted as an initial capital allotment package. Supporting information for the allotment request should include a statement about the conceptual understanding of the major capital project. Predesigns paid from nonappropriated funds do not require a capital allotment and will not be reimbursed from appropriated funds. For additional guidance, refer to the OFM Predesign Manual at <http://www.ofm.wa.gov/budget/instructions/predesign/predesign.asp>.

Design services allotments

Design allotments may be submitted after the predesign is approved by OFM and an appropriation for design is available. In the allotment system, provide a narrative explanation of any scope or cost changes from the enacted budget.

Based on the approved predesign, the agency must create a revised cost estimate in the Capital Budget System (CBS). At this point the project must contain, at a minimum, three cost estimates: 1) original agency request; 2) predesign estimate; and 3) design estimate. The original cost estimate will continue to be the base estimate, and the revised estimate will be the current estimate for the design phase. Contact OFM if you have questions about the CBS system cost estimate.

Allotments for design services may include the following items:

- Acquisition costs,
- Consultant services,
- Project management, artwork, and related projects.
- Pre-construction services if GC/CM

Value Engineering and Constructability Review

A value engineering study by an independent consultant team is required for each major project during the design phase. As part of the construction allotment, the agency must provide OFM with an executive summary of the recommendations that were accepted or rejected, and the supporting reasons. A constructability review is required for complex projects that cost at least \$1 million and for all major projects. See the Capital Budget Instructions or contact your capital budget analyst for an explanation of these requirements.

RCW 39.35D.030 requires all state-funded projects with buildings over 5,000 square feet that have not entered into design phase prior to July 24, 2005, to be designed, constructed, and certified using the LEED silver standard. Agencies must provide:

- A summary of the LEED standards to be used in the project; and
- Fiscal justification for pursuing LEED certification higher than silver.

Construction allotment

Construction allotments may be submitted after an appropriation for construction is available, and after bid opening or negotiation of the MACC (if using an alternative public works method.) Provide a narrative explanation of any scope or cost changes from the enacted budget. Based on the approved budget (appropriation), the agency will create a revised cost estimate in the CBS. The original cost estimate will continue to be the base estimate; the design estimate will remain; and the construction revised estimate will be the current estimate for the construction phase. At this point, the project should contain, at a minimum, four cost estimates: 1) original agency request; 2) predesign estimate; 3) design estimate; and 4) construction estimate. Please contact OFM if you have questions about the CBS system cost estimate.

The structure of construction bids should be consistent across all agencies and institutions, with base bids reflecting a complete and functional project. Provide the bid tabulation and identify separately the additive alternates that improve project durability or serviceability.

Please note: deductive alternates are not acceptable because they do not typically achieve full value. The base bid scope of work must only include the agency core project requirements. If project scope is shown as deductive in bid documents, it must not be a core requirement and should be included as an additive alternate. Deductive alternates should be avoided unless approved in advance by OFM for special circumstances. The use of additive alternates should be minimized as much as possible to avoid paying for design services for project scope that is not included in the accepted contract.

Allotments for construction funds may include the following items:

- Acquisition costs,
- Consultant services that occur during the bidding and construction phase,
- Construction contracts,
- Construction contingency,
- Equipment, artwork, and other costs.
- Project management and related projects.

Value Engineering

As part of the construction allotment, the agency must submit to OFM an executive summary of the recommendations of the value engineering study (completed during the design phase) that were accepted or rejected, and the supporting reasons.

Life Cycle Cost Analysis

In accordance with ESHB 1497, Section 7005 (e) and (f), agencies are required to compare a 30-year and 50-year building life when using the life-cycle cost model. Additionally, renovation projects, system replacements, remodel costs, and maintenance costs are to be included in the life cycle model.

Equipment allotments

Allotments for furniture, fixtures, and equipment (FF&E) may be submitted when the project is currently in, or has completed, the construction phase and an appropriation is available. Generally, capital expenditures for FF&E must follow the criteria outlined in the Capital Budget Instructions at <http://www.ofm.wa.gov/budget/instructions/capital.asp>. Any request for exception should be discussed with your assigned capital budget analyst.

State agencies, excluding higher education, are required to purchase office furniture from the Division of Correctional Industries. Higher education institutions shall strive to purchase 2 percent of the total goods and services required for a project from Correctional Industries accordance with RCW 28B.10.029.

Below is contact information for Correctional Industries procurements:

Sales Manager	Contract Administrator
Correctional Industries	Office of State Procurement
P.O. Box 41115	P.O. Box 41017
Olympia, WA 98504-1115	Olympia, WA 98504-1017
360-725-9183	360-902-7400

As with all mandatory contracts, purchasing goods or services from any vendor other than through the state contract requires specific written exemption using the best buy process from the Department of General Administration's Office of State Procurement, and is subject to audit. Additional information is available from:

Office of State Procurement
 Department of General Administration
 P.O. Box 41017
 Olympia, WA 98504-1017

OFM will approve funds for the purchase of FF&E upon review of the following:

- A copy of the final architectural/engineering cost estimate for the FF&E.
- Certification that the requirements of RCW 43.19.534 have been met. The agency or institution will provide a copy of the exception if one has been granted.
- A listing of all FF&E to be purchased.
- For higher education institutions, a summary of the percentage of FF&E that is intended to be procured from Correctional Industries, if known at the time of the allotment request.
- An affirmation statement from the agency that the FF&E purchases will remain within the appropriation amount, and that all FF&E required for start-up and operation of the new facility is included in the FF&E purchases.

Unforeseen costs and contingency allotment

The CBS cost estimate contains two contingency amounts: management reserve and contingency. Management reserve is an allowance for changes beyond control of the agency. It recognizes the potential for variances in key assumptions in building efficiency, escalation, sales tax, permit requirements, delays, and off-site development. The amount is a function of risk and uncertainty, which may be non-existent for many projects, or range from 2 percent to 10 percent for others. As a project moves from pre-design to construction, the management reserve should be reduced to zero.

On the other hand, appropriate contingency amounts are dependent on the degree of risk present and the extent of the technical challenge surrounding the task. The design contingency legitimately covers uncertainties in a project and should also be reduced through each phase of the design. Construction contingencies should be limited to 5 percent on new construction and 10 percent on remodeling work.

Contingencies should not be considered as opportunities for additional scope or used to change original budget decisions.

Reasonable amounts of funds will be allotted for both management reserve and contingencies based on the scope, complexity, and phase of the project. Allotment approval for management reserve and contingency funds is explicit approval to expend those funds only on unforeseen contingencies and not for extra work or additives. If a

portion of the contingency remains in reserve or unallotted, additional allotments of contingency may be made upon written request to OFM.

When will OFM review and approve these allotments?

OFM is committed to responding to properly justified requests within two weeks of receipt of the supporting information. To expedite this review, contact OFM staff periodically and discuss progress on projects. Joint communication between agency and OFM staff can alleviate issues before they arise.

6.2 ALTERNATIVE PUBLIC WORKS CONTRACTING

Allotment requirements for alternative public works contracting (RCW 39.10)

Generally, the public works requirements are tailored for the process of awarding contracts in lump sum awards to the lowest responsive bidder. However, Chapter 39.10 RCW allows for alternative public works contracting under certain circumstances. Agencies and institutions choosing to use either the design-build or general contractor/construction manager (GC/CM) electrical contractor/construction manager (EC/Cm), or mechanical contractor (MC/CM) contracting procedures must contact their OFM capital budget analyst prior to releasing their initial allotment plan to clarify allotment instructions.

The following requirements must be met prior to requesting an allotment for alternative public works contracting procedures:

- Documentation that adequate public notification and an opportunity for public review and comment was conducted. The documentation must include a summary of public comments received.
- A copy of the final determination of the contracting procedure that will be used. A concise statement of the principal reasons for selecting the preferred alternative construction method must accompany this determination.
- Documentation indicating agency or project approval from the Project Review Committee (PRC) of the Capital Projects Advisory Review Board (CPARB) for the selected alternative public works procedure, if the agency must receive approval from CPARB.
- A description of any incentives that may be incorporated into the contract.
- GC/CM projects must also identify the maximum percentage of the work that may be self performed and the public body that will manage bid openings, per RCW 39.10.390.

Appendix A

DUE DATES FOR THE INITIAL ALLOTMENTS

July 29, 2011

011	House of Representatives
012	Senate
013	Joint Transportation Committee
014	Joint Legislative Audit and Review Committee
020	Legislative Evaluation and Accountability Program
035	Office of State Actuary
038	Joint Legislative Systems Committee
040	Statute Law Committee
045	Supreme Court
046	Law Library
048	Court of Appeals
050	Commission on Judicial Conduct
055	Administrative Office of the Courts
056	Office of Public Defense
057	Office of Civil Legal Aid
076	Special Appropriations to the Governor
080	Office of Lieutenant Governor
082	Public Disclosure Commission
086	Governor's Office of Indian Affairs
087	Commission on Asian Pacific American Affairs
099	Commission on Salaries for Elected Officials
104	Economic and Revenue Forecast Council
118	Commission on Hispanic Affairs
119	Commission on African-American Affairs
142	Board of Tax Appeals
147	Office of Minority and Women's Business Enterprises
165	Board of Accountancy
167	Forensic Investigations Council
185	Horse Racing Commission
205	Board of Pilotage Commissioners
220	Board of Volunteer Firefighters
228	Traffic Safety Commission
315	Department of Services for the Blind
341	LEOFF Plan 2 Retirement Board
390	Washington State Historical Society
406	County Road Administration Board
410	Transportation Commission
411	Freight Mobility Strategic Investment Board
462	Pollution Liability Insurance Program

August 5, 2011

090 Office of the State Treasurer
095 Office of the State Auditor
100 Office of the Attorney General
101 Caseload Forecast Council
110 Office of Administrative Hearings
111 Department of Personnel
116 Washington State Lottery
117 Gambling Commission
120 Human Rights Commission
124 Department of Retirement Systems
126 State Investment Board
130 State Printer
140 Department of Revenue
155 Department of Information Services
160 Office of the Insurance Commissioner
190 Board of Industrial Insurance Appeals
215 Utilities and Transportation Commission
227 Criminal Justice Training Commission
245 Military Department
275 Public Employment Relations Commission
305 Department of Veterans Affairs
351 School for the Blind
353 Center for Childhood Deafness and Hearing Loss
355 Department of Archaeology and Historic Preservation
387 Arts Commission
395 Eastern Washington State Historical Society
407 Transportation Improvement Board
460 Columbia River Gorge Commission
467 Recreation and Conservation Funding Board
468 Environmental and Land Use Hearings Office
471 State Conservation Commission
478 Puget Sound Partnership
701 Treasurer's Transfers
705 Treasurer's Deposit Income
740 Contribution to Retirement Systems

August 12, 2011

001 State Revenues for Distribution
005 Federal Revenues for Distribution
010 Bond Retirement and Interest
075 Office of the Governor
085 Office of the Secretary of State
091 Redistricting Commission
102 Department of Financial Institutions
103 Department of Commerce
105 Office of Financial Management
107 Health Care Authority
150 Department of General Administration
163 Consolidated Technology Services Agency (new)
179 Department of Enterprise Services (new)
195 Liquor Control Board
225 Washington State Patrol
235 Department of Labor and Industries
240 Department of Licensing
300 Department of Social and Health Services
303 Department of Health
310 Department of Corrections
343 Higher Education Coordinating Board
350 Office of Superintendent of Public Instruction
354 Work Force Training and Education Coordinating Board
357 Department of Early Learning
360 University of Washington
365 Washington State University
370 Eastern Washington University
375 Central Washington University
376 The Evergreen State College
380 Western Washington University
405 Department of Transportation
461 Department of Ecology
465 State Parks and Recreation Commission
477 Department of Fish and Wildlife
490 Department of Natural Resources
495 Department of Agriculture
540 Employment Security Department
699 Community and Technical Colleges
IWA Innovate Washington (new)
CHE Council for Higher Education (new)
SFA Office of Student Financial Assistance (new)

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