SECTION 5: BUDGETS
Overview

INTRODUCTION

Section 5: Budgets provides a general overview of the budget process in AKSAS and detailed procedures for processing budget transactions. Two types of budgets are available for managing activity through the financial reporting structures: appropriation budgets and management budgets. Appropriation (authorized) budgets record the authorized amount for an appropriation by revenue and expenditure classifications. Management budgets are optional, user-defined budgets recorded for any reporting structure to organize the authorized budget according to the way agencies manage activities.

Appropriation Budgets

An appropriation is a legislative authorization to spend the resources of the state in carrying out specified activities, such as construction of public facilities, providing education, and public health services. Appropriations result from the budget process, beginning with the agencies' projected requirements for the state fiscal year. Agency budget requests are reviewed by the Office of Management and Budget (OMB) and presented to the legislature for approval. Legislative approval is designated through the appropriations bill that identifies each appropriation for the year by legislative session, chapter, page, and line. The appropriations bill specifies the spending ceilings for an appropriation and, if the activity is financed by restricted receipts, the amount of restricted receipts to be collected. The spending ceiling and required restricted receipts are the legal requirements for using the appropriation and are maintained in AKSAS as over-expenditure controls.

Appropriation Structure

Appropriation budgets are maintained in the appropriation structure in AKSAS. The statewide appropriation structure is designed to report the budget as it was enacted into law. The appropriation structure contains spending ceilings and other budget controls to ensure that public resources are used according to the intent of the budget. Two appropriation structures are maintained for budgets: operating budgets, which represent the costs of running the government and are authorized for a single state fiscal year; and capital budgets, which authorize major construction projects or other activities requiring multiple state fiscal years to complete.

Recording Appropriation Budgets

Original appropriation budgets are recorded in AKSAS through the Automatic Authorized Budget (Auto AB) process, according to procedures developed and distributed by the Office of Management & Budget (OMB), Division of Budget Review. Agencies use the Auto AB to distribute budgets between multiple collocation codes and ledger codes for each total control appropriation or allocation level appropriation. The Auto AB automatically records operating and capital budgets in the primary collocation code assigned to each total control appropriation or allocation level appropriation if not distributed to lower level collocation codes.

Adjustments to original appropriation budgets are recorded through 520-xx: Appropriation Budget transactions. Budget transactions specify the type of budget (original, revised program, or supplemental) and record corrections to errors in the original budget, redistributions of original budget authorizations, legislative supplemental budgets, Reimbursable Services Agreements, and elimination of existing appropriations.

520-xx: Appropriation Budget transactions are also used to process budget restriction transactions to record expenditure restrictions and/or revenue deferrals. Budget restrictions protect agencies from incurring obligations that are not authorized by law when budgeted program revenue estimates are higher than the actual revenue the agency can realize during the fiscal period.

Budget Types

Budget types identify the nature of the appropriation budget. The following budget types are used to record budgetary transactions:

ORG (Original) - Budget type "ORG" is used when the original appropriation is recorded or to correct an error in the original recorded appropriation. Original appropriations include initial legislative appropriations and original budgeted Reimbursable Services Agreements (RSAs). If an appropriation is repealed and reappropriated for other purposes, use budget type "ORG" to add the new appropriation. If you have questions about whether an appropriation is original, contact OMB.

SUP (Supplemental) - Budget type "SUP" is used when recording a legislative adjustment to an original appropriation. Supplemental appropriations generally relate to operating budget appropriations that increase the original appropriation amount. Budget type "SUP" is also used for capital appropriation adjustments and when an existing appropriation is reduced or eliminated as a result of legislation. If an appropriation is repealed and reappropriated for other purposes, use budget type "SUP" for the elimination of an existing appropriation.

RPG (Revised Program) - Budget type "RPG" is used to record all nonlegislative increases or decreases to the original appropriation amount. This includes Revised Programs (RP), Revised Programs approved by the Legislative Budget and Audit Committee (RPL), original unbudgeted RSAs, revisions to an RSA, and distributions of original budgets to lower levels.

RST (Restriction) - Budget type "RST" is used to record expenditure restrictions and/or revenue deferrals on budget authorizations to ensure no over-expenditures occur. Budget restrictions/deferrals are used to reserve part of an authorization that may not be available for spending due to uncollectible appropriated revenues or other agency imposed constraints.

Appropriations and Funds

The Budget Act specifically identifies the fund through which financial activities of individual appropriations are recorded. A fund is a self-balancing set of accounts similar to a balance sheet. Revenue sources of the fund are designated by statute, as are the nature and purpose of fund expenditures.

All appropriations associated with an individual fund represent the legal budget for the fund (the legal plan for carrying out statutory activities). The fund associated with an appropriation is the budgeting fund in the appropriation record for the highest-level spending ceiling (total control entity). Collocation codes for recording the budget, collecting revenues, and recording expenditures are assigned to the total control entity and its lower level components and to the budgeting fund in the total control entity. This ensures that all financial activity charged to the total control entity, and to all its lower level components, is also charged to the budgeting fund.

In some cases, the Budget Act identifies two sources of financing for a single appropriation. This may mean "general revenues and restricted revenues within a single fund" or it may mean two separate funds. When an appropriation is financed through two separate funds, the appropriation is divided into separate legal budgets associated with each fund, allowing activities to be separately monitored through each fund. Appropriations financed through multiple funds have multiple authorized budgets and budgetary controls are applied to the budget for each fund.

Budgetary Controls

OMB sets the guidelines for establishing budgetary controls in the appropriation structure. Budgetary controls define the spending limits for an appropriation, the authorized budgets and estimated restricted receipts by type of expenditure or source of revenue, and any spending controls associated with budget line items. Appropriation budgets can control receipts and expenditures in total (total authorization control) or by account. Budgetary controls define whether over-expenditure tests are applied based on the total appropriated amount or

based on the authorized budget amounts recorded by expenditure account. Controls can be applied for any level in the appropriation, according to the way expenditures are managed. For example, total authorization control can be applied to allocations, so that expenditures are rejected if they exceed the over-expenditure test for the allocation. No controls are associated with unrestricted revenue estimates, which can be monitored against actual collections by fund throughout the year.

Budgetary controls are usually set at the highest level in the appropriation, consistent with the legislative authorization, to prevent expenditures from being rejected unnecessarily. Appropriation entities with budgetary controls are control entities. Budgetary controls apply to the control entity and all lower level components. Spending entities, which record receipts and expenditures by collocation codes, can be control entities or lower level entities. Both appropriations and funds contain budgetary controls. Appropriation controls ensure that spending does not exceed the budget; fund controls ensure that spending does not exceed the current available resources (cash as the result of collected revenue) for issuing warrants.

Over-expenditure tests compare (1) actual expenditures and encumbrances to the unobligated balance (the total authorization net of expenditures-to-date and outstanding encumbrances) and (2) expenditures to the net available balance (the total authorization net of expenditures-to-date, taking into account required collections of restricted receipts). For appropriations financed by restricted receipts, authorized expenditures depend upon collection of the receipts. Expenditures are rejected if they exceed the net available balance and/or the unobligated balance of the appropriation. Encumbrances are rejected if they exceed the unobligated balance. By rejecting expenditure and encumbrance transactions in excess of these balances, AKSAS ensures that planned and actual expenditures are within the appropriation budget.

Management Budgets

Management budgets are alternate budgets that can be maintained in AKSAS for a component of any of the reporting structures. Management budgets can be used to report the authorized budget by revenue and expenditure accounts at lower levels of detail than required for statewide budgetary reporting (by detail revenue and expenditure classifications) or to distribute the authorized amounts across monthly, quarterly, or other accounting periods.

Unlike other financial transactions, management budgets can be recorded through collocation codes and/or ledger codes assigned only to the entity where the budgets should appear, for example, through a collocation code assigned only to an organization, if the budget is specific to the organization.

AUTHORITY

AS 37.07   Executive Budget Act
AAM 25.010-160   Budgets
AAM 40.030   Deferred Revenues Estimates
OMB Auto AB Guidelines and Procedures

Budgetary transactions are recorded after funds are appropriated by the Legislature and in accordance with Office of Management and Budget guidelines.

TERMINOLOGY

Appropriation - A legislative authorization to spend the resources of the state in carrying out specified activities.

Appropriation Budget - The authorized expenditures approved by the legislature in the appropriations bill, estimated restricted receipts specified for appropriations financed by restricted receipts, and unrestricted revenue estimates (projections developed by the Department of Revenue for collections of general revenues of the state).

Appropriations Bill - A legislative document specifying the spending ceilings for appropriations and, if the

activity is financed by restricted receipts, the amount of restricted receipts to be collected.

Auto AB - A software application maintained by the Office of Management and Budget (OMB) to record and distribute original budget authorizations between multiple collocation codes and ledger codes within a total control appropriation.

Budget Entity - The allocation level of an appropriation.

Budgeting Fund - The fund through which receipts and expenditures are recorded.

Budget Restriction - To reserve a portion of an authorization to ensure no over-expenditures can occur due to uncollectible appropriated revenues. Budget restrictions are recorded to defer revenue that will not be collected in the fiscal period and restrict expenditures funded by the uncollectible revenues. Restrictions are recorded in AKSAS as budget type "RST," posting type 08. See **Revenue Deferral**.

Budget Type - An AKSAS indicator identifying the budget as original (ORG), supplemental (SUP), revised program (RPG), restricted (RST), or lapsed (LPS). See **Original Appropriation**, **Supplemental Appropriation**, **Revised Program**, and **Budget Restriction**.

Capital Budget - The authorized source of revenues and authorized expenditures for the construction or purchase of state assets.

Collocation Code - Identifies the accounting structure (fund, appropriation, organization, and internal program) and links the appropriation to the fund through which the appropriation's financial activity is authorized.

Component - Individual elements of reporting structures. Reporting structures are divided into components according to the way financial data should be summarized. An allocation is a component of an appropriation, for example, and a division is a component of an agency organizational structure.

Fund - A self-balancing set of accounts used to manage the income and outflow of the state's resources. Funds are authorized by the legislature to account for particular activities according to the nature of the activity or the source of financing.

Management Budget - A user-defined budget that can be recorded for any of the reporting structures to reorganize the authorized budget according to the way an agency manages activities.

Net Available Balance - The total authorization, net of expenditures-to-date, taking into account required collections of restricted receipts. For appropriations financed by restricted receipts, expenditures are contingent upon collection of the receipts.

Operating Budget - The estimated costs of carrying out programs, projects, and agency operations.

Original Appropriation - An initial appropriation as authorized by the legislature. Original appropriations are recorded in AKSAS as budget type "ORG," posting type 05.

Posting Month - The state fiscal month in which financial activity is recorded.

Reimbursable Services Agreement (RSA) - A contractual agreement between two state agencies or two budget entities to provide a service for reimbursement.

Revised Program - A nonlegislative increase or decrease to the original appropriation amount. Revised programs are recorded in AKSAS as budget type "RPG," posting type 07.

Revenue Deferral - To defer a portion of budgeted receipts when revenue estimates are higher than the actual revenue the agency can realize during the fiscal period. Revenue deferrals are offset by an expenditure restriction to ensure planned expenditures do not exceed expected receipts. See **Budget Restriction**.

Supplemental Appropriation - A legislative adjustment to an original appropriation. Supplemental appropriations are recorded in AKSAS as budget type "SUP," posting type 06.

Total Control Appropriation - The level at which the spending ceiling authorized by the legislature for an appropriation is applied.

Unobligated Balance - The total authorization, net of expenditures-to-date and outstanding encumbrances. The unobligated balance is the amount of an appropriation available for expenditures.

AKSAS TRANSACTIONS

520-xx: Appropriation Budgets - Used to record or adjust budget authorizations for original, revised program, and supplemental budgets and budgeted and unbudgeted RSAs. Also used to record restrictions of authorized expenditures and deferral of estimated restricted revenues.

510-90: Management Budgets - Used to record user-defined budgets for appropriations, projects, and other financial reporting structures according to agency-specific management reporting requirements.

FORMS

Appropriations Bill
Gubernatorial Vetoes
Revised Program
Reimbursable Services Agreement

REPORTS

Both online and hard copy reports are available. Online reports are available through Management Reporting (RM) and Entity and CC/LC Inquiry (IE). Hard copy reports are available through AKSAS Report Request Maintenance (RR) and GENEVA.

AKSAS Online Reports

RO - Online Audit Trail - Used to display a user-defined audit trail of budget transactions.

RM - Management Reporting - Used to display a user-defined report of financial activity summarized through reporting structures according to criteria defined in the report request. Financial information can be tailored according to agency-specific requirements to report actual account balances such as actual receipts and expenditures and calculated amounts such as the net available balance of an appropriation.

IE - Entity and CC/LC Inquiry - Used to display appropriation structures, detail for a specific appropriation, and TANAB calculations for current fiscal year appropriations.

AKSAS Hard Copy Reports

Transaction Index Listing (B30001) - Provides a list of transactions processed in AKSAS. Specific RD codes and lower levels, transaction status, transaction codes, and/or source system ID may be specified in the report request.

Financial Transaction (FTP) Register (B30003) - Provides transaction detail for financial transactions processed in AKSAS. Report data is requested by specific RD codes and lower levels, transaction status,

transaction codes, and/or source system ID. The report lists all financial line information for each transaction, including offsetting entries generated by AKSAS.

Hard Copy Management Report (B60001) - Provides a user-defined hard copy report of financial activity summarized through reporting structures according to criteria defined in the report request. Financial information can be tailored according to agency-specific requirements to report actual account balances such as actual receipts and expenditures and calculated amounts such as the net available balance of an appropriation.

GENEVA Reporting

GENEVA may be used to create user-defined views of financial data. For more information, refer to *Accounting Procedures Manual, GENEVA Reporting*.